National Energy Board | Office national de l'énergie

National Energy Board

Departmental Performance Report

For the period ending March 31, 2008

Gaétan Caron
Chair and CEO
National Energy Board

The Honourable Lisa Raitt, P.C., M.P.
Minister
Natural Resources

Canada

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List of Acronyms

AESO	Alberta Electric System Operator
BCP	Business Continuity Plan
CEA	Canadian Environmental Assessment
CLC	Canada Labour Code
CLF	Common Look and Feel
COGOA	Canada Oil and Gas Operations Act
CPRA	Canada Petroleum Resources Act
CSA	Canadian Standards Association
CSPS	Canadian School of the Public Service
DER	Desired End Result
DOJ	Department of Justice
EOS	Employee Opinion Survey
FORRI	Frontier and Offshore Regulatory Renewal Initiative
HRSDC	Human Resources and Social Development Canada
IESO	Independent Electric System Operator
IMP	Integrity Management Program
INAC	Indian and Northern Affairs Canada
LMCI	Land Matters Consultation Initiative
LNG	Liquefied Natural Gas
MOU	Memorandum of Understanding
MPMO	Major Projects Management Office
NEB	National Energy Board
NGL	Natural Gas Liquids
NRCan	Natural Resources Canada
NYMEX	New York Mercantile Exchange
OAS	Online Application System
QMS	Quality Management System
RDIMS	Record and Document Information Management System
RPP	Report on Plans and Priorities
TSB	Transportation Safety Board

Section I : Overview

1.1 Chair's Message

It is with pleasure that I present the National Energy Board's (NEB or Board) *Departmental Performance Report* for the period ending March 31, 2008.

The National Energy Board's vision is to be an active, effective and knowledgeable partner in the responsible development of Canada's energy sector for the benefit of Canadians. The NEB's purpose is to promote safety and security, environmental protection and efficient energy infrastructure and markets in the Canadian public interest within the mandate set by Parliament in the regulation of pipelines, energy development and trade. The Board's main responsibilities are the regulation of interprovincial and international gas, oil and commodity pipelines, international electric power lines and energy imports and exports. In addition, we monitor and report to Parliament, business and the public on the functioning of energy markets. The NEB also regulates the safety, environmental and conservation aspects of energy exploration and development on federal lands in the North and offshore areas where there are no specific accords or agreements with a province or territory.

As the NEB looks forward to celebrating 50 years serving the Canadian public, I am proud to say we continue to make decisions that fairly balance public safety, environmental interests and economic efficiency. Our role as a national regulator continues to gain significance in the face of increasing global energy demand for safe and secure energy supplies and high energy prices. In 2007-2008, the NEB continued to be challenged in maintaining a skilled and knowledgeable workforce in a competitive employment market. The committed efforts of both our staff and the Board Members enabled the NEB to manage a heavy hearing workload. We identified three priority areas which guided our work in 2007-2008: improving regulatory processes, enhancing NEB capacity and culture, and informing Canadians on energy markets. I am pleased to report that we successfully delivered on these priorities.

We also continue to improve our regulatory processes. We launched the Land Matters Consultation Initiative, an innovative method of outreach. The initiative is aimed at improving company interactions with landowners; improving the accessibility of NEB processes; and addressing both the financial and technical aspects of pipeline abandonment.

The NEB achieved a major milestone in 2007-2008 through our continuing development of an Online Application System for small pipelines. The system, which went live in June 2008, employs a simplified assessment process for low-risk facility applications. This approach not only reduces the time required for regulatory decisions but also reduces industry's application costs and allows the NEB to focus its resources on high value-added work.

The NEB continues to be committed to increasing clarity and predictability through service standards for all key services. The implementation of the risk-based lifecycle approach has enabled the Board to improve application cycle times. In 2007-2008, the NEB processed several pipeline applications for major additions of oil pipeline capacity, including the Keystone, Clipper and Southern Lights applications. Also, we have provided safety and environmental oversight through inspections of new pipelines and activities, as well as compliance activities on operating pipelines and facilities. Despite the challenge to our staff capacity, we were able to meet our strategic goals.

Partnership is a key component in effective regulation. As part of our improvement agenda, we have worked closely over the past year with the Major Projects Management Office, Northern Boards and Natural Resources Canada, in an effort to streamline regulatory processes and learn from each other's best practices and experience.

The current high-priced energy environment made our priority to inform Canadians on energy markets highly relevant with last year. The report on *Canada's Energy Future,* which presents a comprehensive outlook of energy supply and demand for the years 2005 to 2030, reassures Canadians that we have abundant energy resources, while encouraging all of us to make smarter energy choices. Canadians continue to look to the NEB for objective, accurate and timely information about Canada's energy sector. We continue to provide expert analysis via our seasonal energy outlooks, energy market assessments, energy overviews and energy pricing commentaries. These products are highly valued by Canadians, as evidenced by large and continually growing use of the NEB's website.

Modernizing our regulatory framework and continuing to respond to Canadians' need for energy market information could not be accomplished without a dedicated, expert organization of individuals. Enhancing NEB capacity and culture continues to be critical in delivering on all of our initiatives and we are committed to attracting and retaining qualified staff. During the year, the NEB received additional funds from Treasury Board to address our projected increased workload and accompanying requirement for skilled technical staff. In addition to the assistance we received from Treasury Board, we introduced several attraction and retention initiatives: we updated our telework policy; revitalized our Rewards and Recognition program and leadership and project management training; and, we introduced an employee-based Talent Team at the NEB to assist in attracting new staff.

The team of highly qualified people who work at the NEB remains up to the challenge of ensuring that Canada's energy sector continues to benefit all Canadians in a responsible and sustainable manner. The successes identified in this report are theirs. I wish to thank each and every one of them for their dedication to continually improving the lives of Canadians.

Gaétan Caron

Chair and CEO

Management Representation Statement

I submit for tabling in Parliament, the 2007-2008 *Departmental Performance Report* for the National Energy Board.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2007-2008 Estimates: Reports on Plans and Priorities* and *Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the *Treasury Board Secretariat* guidance.
- It is based on the department's approved Strategic Outcome(s) and Program Activity Architecture that were approved by the Treasury Board.
- It presents consistent, comprehensive, balanced and reliable information.
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it.
- It reports finances based on approved numbers from the *Estimates and the Public Accounts of Canada*.

Name: _____
Gaétan Caron

Title: Chair and CEO

Date: _____

1.2 Summary Information

1.2.1 Purpose

The National Energy Board's purpose is to promote safety and security, environmental protection and efficient energy infrastructure in the Canadian public interest[1] within the mandate set by Parliament in the regulation of pipelines, energy development and trade.

1.2.2 Vision

The NEB is an active, effective and knowledgeable partner in the responsible development of Canada's energy sector for the benefit of Canadians.

1.2.3 Mandate and Regulatory Context

The NEB is an independent federal agency that regulates several aspects of Canada's energy industry. Its purpose is to promote safety and security, environmental protection and economic efficiency in the Canadian public interest within the mandate set by Parliament in the regulation of pipelines, energy development and trade. The NEB regulates the construction and operation of pipelines that cross international or provincial borders, tolls and tariffs on these pipelines, international power lines and designated interprovincial power lines. The NEB also regulates natural gas imports and exports, oil and natural gas liquid exports, electricity exports, and some oil and gas exploration on frontier lands, particularly in Canada's North and certain offshore areas. Finally, the NEB provides Canadians with information about Canadian energy markets.

The main functions of the NEB are established in the *National Energy Board Act* (NEB Act). The Board has additional regulatory responsibilities under the *Canada Oil and Gas Operations Act* (COGO Act) and under certain provisions of the *Canada Petroleum Resources Act* (CPR Act) for oil and gas exploration and activities on frontier lands not otherwise regulated under joint federal/provincial accords.

The NEB, established in 1959, is an independent regulatory tribunal guided by the principles of natural justice and procedural fairness. The NEB reports to Parliament through the Minister of Natural Resources. The Board is a court of record and has certain powers of a superior court of record including those for attendance, swearing and examination of witnesses, the production and inspection of documents, the enforcement of its orders and the inspection of property. The Board's regulatory decisions and the reasons for them are issued as public documents.

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1 The public interest is inclusive of all Canadians and refers to a balance of economic, environmental, and social interests that changes as society's values and preferences evolve over time. As a regulator, the NEB must estimate the overall public good a project may create and its potential negative aspects, weigh its various impacts, and make a decision.

The NEB's regulatory responsibilities for public safety, security, protection of the environment and economic efficiency are set out in the NEB Act and the COGO Act. The NEB is also required to meet the requirements of the *Canadian Environmental Assessment Act* (CEA Act) and the *Mackenzie Valley Resource Management Act*. The NEB ensures that regulated companies are safe, secure and environmentally responsible by assessing applications and verifying compliance with statutes, decisions, and regulations throughout their lifecycle. Through the *Public Safety Act*, 2002 (Bill C-7) the NEB has legislative authority for the security of pipelines and international power lines. In addition, Board inspectors may be appointed Health and Safety officers by the Minister of Labour to administer Part II of the *Canada Labour Code* as it applies to facilities regulated by the Board.

The Board's mandate includes the provision of expert technical advice to the Canada-Newfoundland Offshore Petroleum Board, the Canada-Nova Scotia Offshore Petroleum Board, Natural Resources Canada (NRCan), and Indian and Northern Affairs Canada (INAC). Since devolution, the Board has a service agreement with the Yukon to provide technical advice. The Board may, on its own initiative, hold inquiries and conduct studies on specific energy matters as well as prepare reports for Parliament, the federal government and the general public. The NEB Act requires that the Board keep under review matters relating to all aspects of energy supply, production, development and trade that fall within the jurisdiction of the federal government. In addition, the Board provides advice and carries out studies and reports at the request of the Minister of Natural Resources.

Additional information on the background and operations of the NEB may be found at the Board's Internet site: http://www.neb-one.gc.ca.

1.2.4 Operating Context

The environment in which the NEB operated in 2007-2008 presented challenges and risks that impacted how it carried out its responsibilities and delivered results to Canadians. A number of important elements are described below.

Energy Overview

In 2007, global energy markets were impacted by volatile prices for crude oil, while Canadian producers were impacted by escalating exploration and development costs. Crude oil prices reached US$110.21 per barrel in March 2008 and averaged US$72 in 2007. This increase was a result of global events and continuing strong oil demand growth in Asia and the Middle East. The depreciation of the U.S. dollar also contributed to the price rise, by making crude oil less expensive in other countries and this caused an influx of investment dollars to commodities, including crude oil. In 2007, North American natural gas prices were lower and less volatile than they have been in recent years as a result of a well supplied North American natural gas market. Warmer-than-normal weather during the winter of 2006-07 in North America, record U.S. imports of liquefied natural gas (LNG) during the summer of 2007, and increased natural gas production in several U.S. basins helped to maintain a very high inventory of natural gas

in storage. As a result, North American natural gas prices at Henry Hub, the pricing point in Louisiana for natural gas traded on the New York Mercantile Exchange (NYMEX), ranged between US$6.00/MMBtu and US$8.00/MMBtu throughout the year.

The effect of high and volatile energy prices has led to continuing investment in the oil sands and has accelerated the search for new sources of energy supplies such as wind-generated electricity projects. Electricity jurisdictions across Canada continued to focus on adequacy of supply and operating reliability. In this regard, the trend has been to continue to develop generation sources such as fossil-fuelled generation, nuclear power and hydro electricity, and to move beyond conventional sources. New transmission projects are required within and between provinces with new international interconnections; a number of projects are either under development or proposed.

As these various energy projects are brought on stream, transmission systems must be modified to integrate them into the existing infrastructure. In particular, new oil pipelines need to be constructed. Through 2007-2008, much of the Board's work involved the review of applications to address oil pipeline constraints in response to growing crude oil production from the oil sands and a resurgence of conventional crude oil production.

Implications for the National Energy Board

High oil prices stimulate development of oil resources such as the oil sands, and Canadian exports are growing, both of which contribute to increased efforts for the NEB as a national regulator. There are also significant time requirements for processing applications and providing regulatory oversight of new and operating pipelines and facilities to address safety, environment, economic, landowner, socio-economic and Aboriginal issues. Landowners are taking a greater interest in pipeline application and development processes, and are communicating concerns to the NEB. All of this combines for greater public involvement in application review and more complex hearings.

Regulatory Coordination, Efficiency and Effectiveness

The challenge of increasing infrastructure project applications is compounded by an array of issues including safety, environment, Aboriginal concerns and socio-economic considerations. Additional factors are multiple regulators and jurisdictions that may be involved in various applications. At the same time that applications are increasing in complexity, our stakeholders are becoming increasingly informed and interested in regulatory decision-making which may affect their interests. Stakeholders are better informed, more knowledgeable and increasingly connected.

The October 2007 Speech from the Throne conveyed government direction to improve economic, social and environmental outcomes through resource development opportunities and improved federal processes. The government has introduced a number of initiatives reflecting this direction, including a Major Projects Management Office (MPMO). The goal of the MPMO, operated through Natural Resources Canada, is to improve coordination within Canada's regulatory system by providing industry with a single, efficient point of entry into federal processes while ensuring that projects are built

in a safe manner and the environment is protected. Applicants for federal energy projects will be required to file their applications with the MPMO, and it will have the responsibility for coordinating the federal regulatory process. The implications for how the NEB conducts business in association with the MPMO with respect to major energy projects will be a consideration going forward. In the short term, liaison with the MPMO is creating an extra demand on the Board's resources.

In order to improve efficiencies, the NEB continues to work within its own mandate, while partnering with others administering parallel and overlapping processes. Our dialogue with stakeholders is critical to realizing improved regulatory approaches

Recruitment and Retention of Skilled Knowledge Workers

Our need to recruit, develop and retain the technical and analytical expertise required to administer regulatory decisions and maintain appropriate oversight of operating pipelines and facilities persists as a challenge since the 2006-2007 fiscal year. The need to sustain regulatory capacity is complicated by the demand for the same expertise in other areas of the energy sector. The ability to compete with private industry for the same human resources has meant implementing non-traditional methods to attract and retain employees. The NEB experienced a turnover rate of 16.67% in 2007-2008. An aging demographic has further compounded the difficulties associated with losing mid and senior level workers who are often actively recruited from outside the organization.

Provision of Energy Information

Given the current high price energy environment and the need to develop new energy supply sources, Canadians in both the public and private sectors are required to make choices about energy sources for the future. There is a continued need to ensure the public understands our energy environment and that policy makers have access to independent, timely and objective energy information in order to make informed decisions. The NEB continually receives feedback confirming the importance and timeliness of its energy information products. We continue to work toward meeting our target audiences' energy information needs.

1.2.5 Departmental Priorities

For 2007-2008, the NEB identified three priority areas that required specific focus and development. A summary of the status and resource allocation for each priority is provided in Table 1; a summary of progress made on these priorities follows.

Table 1: Summary Information Table

Plans and Priorities 2007-2008		
Strategic Outcome: Safety, security, environmental protection and economic benefits through regulation of pipelines, power lines, trade and energy development within NEB jurisdiction.		
Program Activity: Energy regulation and advice		
Financial Resources ($ millions)		
Planned Spending	Total Authorities	Actual Spending
38.1	47.3	43.8
Human Resources (Full-time equivalents)		
Planned	Actual	Difference
307.6	293.09	-14.51
Departmental Priorities 2007-2008		
Priority	Type	Status on Performance
Improve regulatory processes	Ongoing	Successfully met
Enhance NEB capacity and culture	Ongoing	Successfully met
Inform Canadians on energy markets	Ongoing	Successfully met
The results of the NEB's Program Activity "Energy Regulation and Advice" are described in Section II Analysis of Program Activity, under the NEB's Strategic Plan Goals.		

NEB Priorities in 2007-2008

For 2007-2008, the NEB identified three priority areas that required specific focus. Following is a summary of progress made on these priorities.

1. Improve Regulatory Processes

In 2007-2008, the NEB continued work towards full implementation of a risk-based lifecycle approach. Risk-based lifecycle regulation has the following objectives:

- To determine and apply the level of appropriate NEB regulatory oversight based on risk within each phase of infrastructure lifecycle
- To base the level of regulatory oversight on company performance and risk factors related to safety, environmental protection, economic efficiency, and stakeholder engagement

The risk-based lifecycle approach applies to every interest area that the NEB has oversight for, including Safety, Environmental Protection, Integrity, Socio-Economics, Land Matters, Security, and Emergency Preparedness. Through this program, the performance of every company regulated by the NEB is assessed through a variety of tools to allow the Board to focus its limited resources on higher risk companies or projects. Tailored compliance plans are then developed for every regulated company to

align regulatory effort on the highest priority areas. Audits and inspections are carried out for companies that pose the highest risk.

This year, the approach was applied in various pilot projects, particularly in the NEB's assessment of section 58 applications and for all public interest areas. In addition, the NEB developed a draft plan for incorporating socio-economic and land matters into the risk-based lifecycle approach.

To further improve regulatory processes, the NEB implemented an application streamlining initiative in 2007-2008. The objectives of this initiative were:

- To streamline both the application requirements and the assessment process for low-risk pipeline facilities involving less than 40 kms of pipe while maintaining a desirable level of regulatory oversight
- To reduce unnecessary time, resources and complexity for both industry and the regulator on small, routine pipeline facilities
- To match application content to project complexity and risk and focus it on areas of concern

The resulting streamlined application process has a number of innovative features. The "point and click" web-based interface allows the applicant to apply on-line by answering a series of questions and committing to certain design, activity and filing requirements. The applicant confirms that low-risk criteria apply in a number of areas (safety, environment, socio-economic, consultation, commercial, etc.). Then, in the specific areas where there are issues or concerns, additional information is required and a further assessment is undertaken. Pilot projects commenced in the fall of 2007. The Online Application System went live in June 2008. The pilot projects to date have resulted in significant time and resource savings with no reduction in the effectiveness of regulatory oversight. The simplified process will also reduce industry's application costs related to small pipelines.

The Land Matters Consultation Initiative (LMCI) is a significant step in the maturity of the risk-based lifecycle approach and has been incorporated into the program. The LMCI provides a forum for interested parties, primarily landowners, and the Board to explore options for the Board's review of land issues. Dialogue between parties improves all parties' understanding of landowner matters and builds clearer communication between pipelines and landowners. LMCI consultations included over 400 participants with discussion focused on improvements to a range of existing regulatory tools.

The NEB's development of harmonized environmental assessment processes in partnership with other agencies was carried out on a project-by-project basis in 2007-2008. This coordination continues to prove successful by minimizing duplication and streamlining environmental assessment reports. Fulfillment of our intention to reduce process uncertainty supports our continued pursuit of substitution as a way of doing business.

Our participation in bodies such as the Canadian Standards Association (CSA) has made it possible for the NEB to consult with industry and interested parties in identifying opportunities for improvement. For example, in partnership with the CSA, we continued development of a consensus standard on security management for the energy industry. The development of this standard is actively supported by affected stakeholders and work continues to be carried out on an accelerated schedule. Final publication of the standard is expected in 2009.

2. Enhance NEB Capacity and Culture

Given the current climate of increased hearing and compliance workloads and the corresponding need for modernized regulatory processes, the requirement for a skilled, knowledgeable workforce continues to be vital. The NEB's turnover rate in 2007-2008 was 16.67%, up from 10% in 2006-2007, and 14.5% in 2005-2006. Calgary's current job market, particularly in the energy sector, remained hot. The expert workforce the NEB relies on continues to be in high demand outside the organization, and will remain so for the foreseeable future.

In 2007-2008, the NEB took specific steps to address the current challenges associated with attracting and retaining staff. We continue to offer a key attraction and retention package that includes a market-based allowance structure for employees working in positions directly related to the energy sector, and a pilot pay-for-performance program for all employees.

The enhancement of NEB capacity and culture has necessitated innovations in recruitment and retention of employees. The introduction of a Talent Team, composed of NEB personnel, has assisted in proactive recruiting. This year, we also introduced a telework policy, enabling us to retain employees by offering added flexibility in the way they work. In addition to enhanced financial compensation and aggressive recruiting, we are focusing on making the NEB an attractive place to work. Our strategy here is to:

- Provide employees with appropriate work / life balance with considerable flexibility
- Provide support for professional development
- Continue to provide interesting work, matching employees' interests with their work assignments to the extent possible

The NEB's People Strategy incorporates strategies to address capacity gaps, build job families, and address bilingual and representation gaps.

3. Inform Canadians on Energy Markets

As crude oil and natural gas prices continued to fluctuate this year, the NEB continued to meet the Canadian public's increased need for energy information. By collecting and analysing information about Canadian energy markets through regulatory processes and market monitoring, the NEB allows Canadians to understand the high price energy

environment. Additionally, market monitoring enables policy makers to have access to independent, timely and objective energy information.

The Board's suite of energy information is housed under the umbrella of the Energy Information Program. Canadians are informed via Energy Market Assessments, which provide detailed analyses into aspects of Canada's energy system, briefing notes, public speeches and presentations by Board Members and senior staff, energy pricing information on the NEB website and semi-annual energy market outlooks. The NEB continues to hear that timely energy information is valuable.

The report, *Canada's Energy Future,* was one of several Energy Market Assessments published this year; it is typically published every four years. The report is a study of Canada's long-term energy supply and demand under various scenarios which integrated the analysis of energy sector markets into a single "all energy" market analysis and outlook. Post-release, the NEB conducted a well-attended national conference to further encourage discussion of the results published in the report. Both industry and the federal government rely on the NEB's projections and this work is highly valued because it is objective, independent and reliable. The *Canada's Energy Future* link on the NEB website received close to 40,000 visits in 2007-2008 and reflects the quality analysis conducted under the Energy Information Program.

1.2.6 Link to the Government of Canada Outcome Areas

The NEB contributes to the Government of Canada Outcome area of strong economic growth. Our Strategic Outcome is the provision of safety, security, environmental protection and economic benefits through regulation of pipelines, power lines, trade and energy development within NEB jurisdiction.

Section II : Analysis of Program Activity

2.1 Strategic Outcome

Safety, security, environmental protection and economic benefits through regulation of pipelines, power lines, trade and energy development within NEB jurisdiction.

2.2 Program Activity: Energy Regulation and Advice

The NEB's main business is energy regulation and the provision of energy market information. The companies that are regulated by the Board create wealth for Canadians through the transport of oil, natural gas and natural gas liquids and through the export of hydrocarbons and electricity. As a regulatory agency, the Board's role is to help create a framework that allows these economic activities to occur when they are in the public interest.

Financial Resources: ($ millions)

Planned Spending	Total Authorities	Actual Spending
38.1	47.3	43.8

Human Resources (full-time equivalents):

Planned	Actual	Difference
307.6	293.09	-14.51

2.3 Analysis by Program Activity

In support of its strategic outcome, the NEB has developed five strategic goals. In this section, the outcomes and performance results from planned actions, as described in the 2007-2008 *Report on Plans and Priorities* (RPP), are discussed.

2.3.1 Goal 1

NEB-regulated facilities and activities are safe and secure, and are perceived to be so.

The NEB ensures that NEB-regulated facilities are operated and that exploration and production activities under the COGO Act are conducted in a manner that protects employee, contractor, and public safety. Since 2005, the NEB's mandate has included regulatory oversight of the security of pipelines and international power lines. The NEB's commitment to safety and security encompasses the full lifecycle of energy projects within its jurisdiction.

The safety and security of facilities and activities regulated by the NEB are managed through competent design, construction, operation and maintenance practices. The NEB plays a significant role in safety and security by ensuring an appropriate regulatory framework is in place which encourages companies to maintain or improve their safety and security performance. This framework provides the NEB and companies with the tools, activities and methodologies necessary for adequate, effective and fully implemented safety and security management programs. The NEB's role includes:

- developing and maintaining goal oriented regulations and guidelines;
- assessing facility and exploration/production applications from an engineering and safety perspective;
- ensuring that appropriate mitigation measures and approval conditions are in place before granting project approval;
- reviewing construction progress reports, inspecting facilities, conducting compliance meetings, and auditing management systems to confirm regulatory requirements are met and continue to be met;
- assessing safety practices and procedures under the NEB mandate as well as through the *Canada Labour Code* (CLC) through a Memorandum of Understanding (MOU) between Human Resources and Social Development Canada (HRSDC) and the Board;
- investigating incidents with the intent of preventing future similar occurrences;
- taking the lead response role on emergencies to monitor and contribute to the effectiveness of company and other agency responses;
- issuing safety advisories; and
- conducting inquiries or formal investigations into safety and security issues.

Performance Measures and Results

For Goal 1, the NEB has four key performance measures to ensure that NEB-regulated facilities are safe and secure. They are:

- Number of fatalities per year.
- Number of pipeline ruptures and incidents per year.
- Public perception of pipeline safety.
- Number and significance of security infractions.

In addition, in 2007-2008, the NEB developed and tracked three new measures related to safety, integrity and compliance. The first two are frequency measures for: 1) worker disabling injuries (safety), and 2) pipe body failures (integrity). The third additional measure shows progress on the NEB's compliance verification plan by tracking the percentage of risk-based planned activities completed.

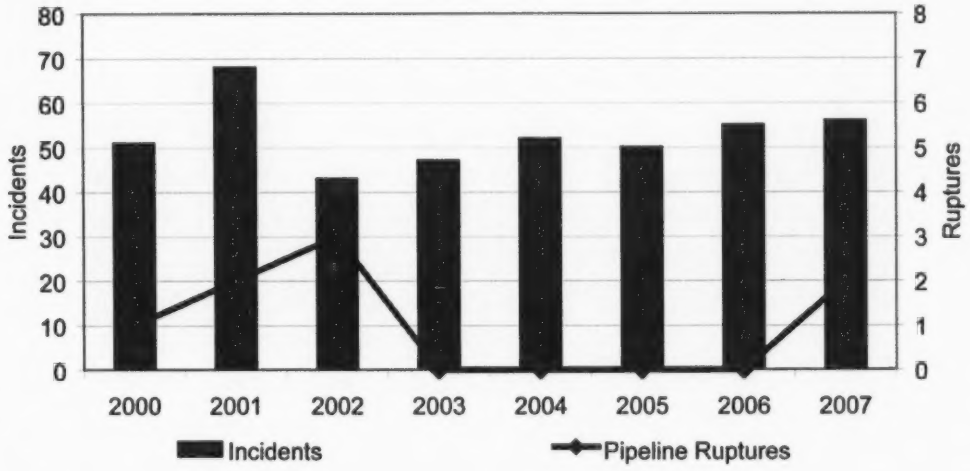
Number of fatalities per year

In 2007-2008, one fatality occurred on 24 March 2008. An employee of Enbridge Pipelines Inc. was electrocuted while performing electrical isolation work at a pump station in Kerrobert, Saskatchewan. The employee was 54 years old and had been employed by Enbridge for 21 years. This tragic event is currently under investigation under the NEB's mandate as well as on behalf of HRSDC under our MOU with them for the application and enforcement of the provisions of the Canada Labour Code.

Number of pipeline ruptures and incidents per year

In calendar year 2007, 56 incidents were reported under the NEB Act pursuant to section 52 of the *Onshore Pipeline Regulations, 1999* (OPR-99) and section 46 of the *Processing Plant Regulations.* The number of incidents remained within the same range as the previous years. From 2003 to 2006, there were no NEB-regulated hydrocarbon pipeline ruptures however two occurred in 2007. Figure 1 shows incidents and ruptures by calendar year.

Figure 1: Pipeline Ruptures and Incidents, 2001-2007



In 2007, three incidents resulted in on-site investigation by NEB staff members:

- On 15 April 2007, a pipeline rupture near Glenavon, Saskatchewan resulted in the release of approximately 990 cubic metres (6 230 barrels) of oil. The NEB has since conducted three separate inspections of the incident site and has confirmed that all contaminated soil has been removed. Remediation activities were complete as of the end of October 2007. The Transportation Safety Board (TSB) is the lead investigator of this incident and the NEB continues to collaborate with them on this investigation.
- On 24 July 2007, a pipeline within the City of Burnaby, British Columbia, was struck by a backhoe releasing approximately 232 cubic metres (1 460

barrels) of crude oil in a densely populated area. A significant portion of the released fluids ultimately were recovered from Burrard Inlet. The TSB is leading the incident investigation to determine the cause and contributing factors.

- On 22 October 2007, during a pipeline construction project in Jasper National Park, a contractor employee was struck by a side boom and suffered a compound fracture of his right leg which was eventually amputated above the knee. Alberta Workplace Health and Safety is leading the investigation because the injury was sustained by a contractor employee.

In 2007-2008, with respect to COGOA activities, total hazardous occurrences as defined under section 16.4 of the *Oil and Gas Occupational Safety and Health Regulations* under the CLC Part II, decreased from 28 in 2006-2007 to 24 in 2007-2008 (Table 2). There was one disabling injury involving the emergency evacuation of an employee from the work site for treatment of chest pains. Although in 2006-2007 there were zero disabling injuries, the one in 2007-2008 represents a decrease from the five year average of three disabling injuries per year. For activities covered under the COGO Act and the CLC, no fatalities occurred during the 2007-2008 fiscal year.

Table 2: Safety Performance Indicators for Companies Regulated under COGO Act

Indicators	2006-2007	2007-2008
COGO Act Worker disabling injury rate (Lost Time Injury/106 hours worked)	0	1
COGO Act Hazardous Occurrences	28	24
Fatalities	0	0

Public perception of pipeline safety

One of the key findings of the NEB's March 2007 *Focus on Safety and the Environment 2000-2005* report was that the low number of ruptures in recent years is primarily attributed to the introduction of Integrity Management Programs (IMPs) within the pipeline industry. The NEB was the first regulator in North America to mandate that pipeline companies must have IMPs, with the promulgation of the OPR-99. The OPR-99 reflects the Board's goal oriented approach to regulation by directing companies to have IMPs and by allowing them the freedom to tailor the content of the IMPs to their particular circumstances.

Number and significance of security infractions

Regulated companies voluntarily report security related events to the NEB. NEB-regulated facilities did not report any major security infractions in 2007-2008.

A number of initiatives have been undertaken to further the NEB security program. We continue to refine and test our suite of assessment tools for conducting security inspections. We also continue to encourage cooperation and partnerships with other agencies across Canada.

The following milestones have been achieved for security activities during 2007-2008:

- Our suite of security assessment tools was tested out in the field.
- We conducted 14 security related inspections and compliance meetings.
- We engaged related agencies in New Brunswick and Quebec.
- Several NEB staff attended the assessments for development and training purposes.
- An internal committee was formed to encourage development and training for inspection officers regarding security inspections.

Additional Measures

In 2007-2008, the NEB started to track three new measures related to safety, integrity and compliance. They are:

- Worker Disabling Injury Frequencies
- Pipe Body Failure Frequencies
- Planned Risk-based Activities Completed

Figure 2 shows the worker disabling injury frequencies and cumulative frequencies for the years 2000 to 2006. As this is a lagging indicator, the most current data available is for the calendar year 2006. Changes in the slope of the plotted cumulative curve indicate the relative direction of industry performance. More specifically, an increase in the slope represents declining performance and a decrease in the slope indicates improved performance. For the year 2006, the worker disabling injury curve indicates a decline in performance with respect to safety.

Figure 3 shows the pipe body failure frequencies and cumulative frequencies for the years 2000 to 2007. Pipe body failures represent a failure of a company's integrity management program in that mitigative action was not taken prior to the uncontrolled release of product from a failure compromising the wall of the pipeline. An increase in the slope represents declining performance (i.e. an increase in the frequency of pipe body releases normalized over time and system length) and a decrease in the slope indicates improved performance. For the year 2007, the pipe body failure curve indicates a decline in performance with respect to integrity management.

The NEB measures its internal performance by tracking the delivery of compliance verification activities prioritized against a risk model for each fiscal year. In 2007-2008, the NEB completed 85 percent of all planned compliance verification activities. Table 3 shows a breakdown of these activities by discipline. The activities not completed included some that were no longer relevant and others which were postponed to fiscal year 2008-2009 as resource capacity was challenged. In total, 179 activities were completed. This reflects the large number of additional work required that was not anticipated at the start of the fiscal year. Despite an extremely heavy workload, the NEB was able to complete most of the risk-based planned activities this fiscal year. Those

which were not completed and which are still valid have been carried forward into the 2008-2009 compliance verification plan.

Figure 2: Worker Disabling Injury, 2000-2006

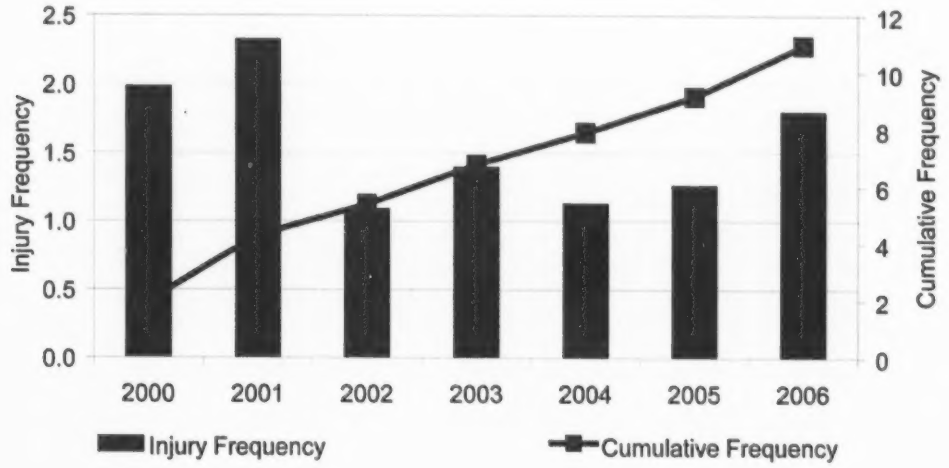


Figure 3: Pipe Body Failure, 2000-2007

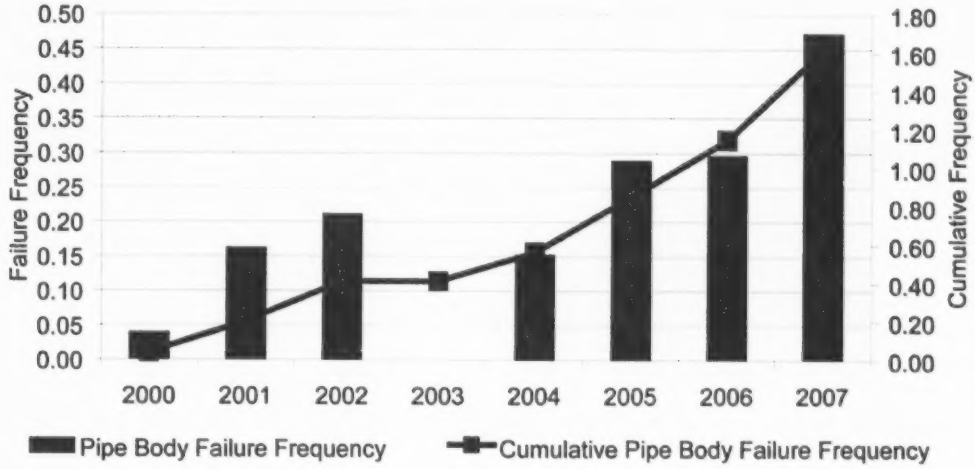


Table 3: Percent of Planned Compliance Activities Completed

Discipline	Planned	Completed	% Completed
Safety	33	26	79%
Security	16	16	100%
Environment	16	13	81%
Integrity	21	17	81%
Emergency	33	29	88%
Total	**119**	**101**	**85%**

Program and Results on Objectives of 2007-2008

The NEB identified objectives for Goal 1 and Goal 2 in its 2007-2008 RPP. The objectives for Goal 1, which focus on safety and security, apply to Goal 2, which focuses on the environment. The results achieved for Goals 1 and 2 under these objectives are discussed below.

1. The NEB employs a lifecycle approach to the regulation of energy infrastructure.

The NEB has a mandate to regulate the design, construction, operation and abandonment of hydrocarbon pipelines that cross provincial or international borders. In applying regulatory oversight, the NEB strives to take a "lifecycle approach" by which: 1) no single lifecycle stage of energy infrastructure is considered in isolation from the others, and 2) the NEB addresses project risks using the appropriate regulatory tool at the appropriate stage of the project lifecycle.

The NEB's risk-based lifecycle approach supports goal oriented regulation and has continued to expand in both scope and diversity across the organization. The risk-based approach is applied to the planning process for the compliance oversight of regulated companies under both the NEB Act and the COGO Act. In 2007-2008, work was completed on holding compliance meetings; developing compliance activity scorecards; and developing compliance verification plan performance reports. In 2007-2008, the program was further developed via various pilot projects, particularly in the NEB's assessment of section 58 applications and for all public interest areas.

In addition, the NEB developed a draft plan for incorporating socio-economic land and land matters into the risk-based lifecycle approach. A complete roll-out of the draft plan will however depend on availability of required resources. The Land Matters Consultation Initiative (LMCI) is a significant step in the development of the risk-based lifecycle approach and has been incorporated into the program. Further discussion of the success of the LMCI can be found in section 2.3.2.

2. The NEB, in partnership with federal and provincial/territorial agencies, has in place effective environmental assessment processes.

The Board continues to pursue partnerships with key regulatory and government agencies and stakeholders to facilitate efficient application assessments and regulatory oversight

during infrastructure lifecycle. In 2007-2008, the NEB documented the NEB's environmental assessment coordination program and processes used to keep government departments informed about the NEB's mandate and process requirements and coordinate environmental assessment processes with relevant government departments. The 2007-2008 work plan was scaled back due to a heavy application and hearing workload, but the essentials of the program and process development were completed. The initiative to pursue substitution as a way of business for panel reviews has been postponed pending the outcome of the work the NEB began in 2007-2008 to support the Major Projects Management Office.

3. The NEB promotes sharing of information and best practices from pre-application to abandonment.

Part of the NEB's regulatory philosophy around goal oriented regulation is to encourage the adoption of best practices for all periods of the facility lifecycle. The NEB's full lifecycle responsibilities mean that it collects a significant amount of information on the safety and environmental performance of its regulated companies. This lifecycle responsibility also provides the Board with ongoing, practical lessons about safety and environmental best practices which the NEB applies internally.

As part of its core work, the NEB continues to expand its information sharing through public reporting on pipeline integrity, environmental performance indicators, safety and security, and environmental protection and assessment best practices. The NEB also influences the use of new technology by raising awareness through meetings, partnerships, consultation and communication with industry. In 2007-2008, the identification of gaps for sharing best practices regarding security, emergency management, socio-economic and engagement practices of regulated companies was deferred due to workload and staffing requirements. However, the NEB continues to share and promote best practices through the day to day implementation of NEB processes and interaction with companies.

The NEB continues to consult with industry and interested parties to identify opportunities for improvement through participation in bodies such as the Canada Standards Association (CSA). In partnership with the CSA, the NEB has initiated development of a consensus standard on security management for the energy industry. The development of this standard is actively supported by affected stakeholders and work continues to be carried out on an accelerated schedule. Final publication of the standard is expected in 2009.

2.3.2 Goal 2

NEB-regulated facilities are built and operated in a manner that protects the environment and respects the rights of those affected.

The NEB is committed to protecting the environment and respecting the rights of those affected. This commitment is fulfilled throughout the lifecycle of the NEB-regulated facilities by:

- sharing information and expectations during pre-application project design and application preparation;
- assessing the environmental and social impacts of proposed projects at the application stage;
- monitoring and inspecting approved projects and verifying condition compliance during construction and operation;
- auditing environmental protection programs;
- investigating spills and releases; and
- ensuring that the abandonment of facilities is carried out appropriately to protect the environment and to address the concerns of affected landowners and residents.

Throughout these phases, the Board ensures that regulated companies engage those people whose interests are potentially affected by their projects and activities.

In addition to accomplishing key objectives for environmental assessment, the NEB made progress in improving on other areas of its risk-based approach to fulfill its Goal 2 responsibilities. The NEB implemented elements of an integrated system for promoting effective, risk-based decision making related to environmental protection and respecting the rights of those affected. The NEB also continued its work on streamlining its approach for dealing with low-risk pipeline applications by developing ways to align application preparation and assessment expectations with the level of risk associated with the proposed facility.

Performance Measures and Results

Similar to previous years, the NEB used the following three measures to gauge its performance in fulfilling its Goal 2 mandate:

- Percent of environmental conditions that achieved their desired end results.
- Number of major releases into the environment per year.
- Indicators that the rights of those affected are respected.

Percent of environmental conditions that achieved their desired end results

Environmental conditions are attached to project approvals to address specific environmental issues associated with a project. Each condition attached to an Order or Certificate issued by the Board has a defined desired end results (DER). Once condition compliance is confirmed, the NEB assesses the effectiveness of the environmental condition by evaluating achievement of the DER. Achievement of the DER is confirmed through NEB inspections and project monitoring. Measuring the DER achievement of environmental conditions aids the Board in determining the need for and opportunities to improve the clarity and effectiveness of the conditions it places on facility approvals.

The environmental conditions are now meeting the DER 100 percent of the time. This trend reflects the investment that the NEB has made to improve the relevance and effectiveness of its regulatory conditions. The results are also indicative of the NEB's efforts to improve the internal tools and processes that guide the use of conditions in facilities regulation. Since the DER of the conditions is now being achieved consistently, other measures will be developed to replace this one.

Number of major releases into the environment per year

Major releases are defined as unintended or uncontained releases exceeding 100 cubic metres of liquid hydrocarbon. The number of major releases of liquid hydrocarbon to the environment is considered a key indicator of the success of operating facilities regulated by the Board with regard to Goal 2. The desired target is that NEB-regulated facilities operating under approved permits and conditions should have no major releases to air, land or water.

Three major releases by NEB-regulated companies occurred last year. They were:

- Enbridge Glenavon (approximately 990 cubic metres or 6 230 barrels): a result of corrosion;
- Terasen Burnaby (approximately 232 cubic metres or 1 460 barrels): a result of a 3rd party strike; and
- Enbridge Cromer Terminal (approximately 600 to 700 barrels of crude, predominantly contained, on company property): a result of a station valve failure.

The number of major releases is up from those encountered in 2006 and within the range of between zero and three occurring annually over the past several years (Table 4).

Table 4: Major Releases to the Environment During Operation

Year	No. of Major Releases
2007	3
2006	1
2005	2
2004	0
2003	0
2002	1
2001	1
2000	0
1999	3
1998	0

Indicators that the rights of those affected are respected

The NEB continues to advance its Goal 2 mandate to respect the rights of those affected, by monitoring responses to landowner complaints and also by developing the Proposed Damage Prevention Regulations. In 2007 the NEB responded to 18 cases in which landowners brought forward issues regarding the effects of NEB-approved facilities on the use and enjoyment of their properties. Eighty-eight percent of these complaints were resolved within the NEB's service standard (80 percent in 60 days). During 2007, work on the Proposed Damage Prevention Regulations was advanced.

The NEB recently launched its Land Matters Consultation Initiative (LMCI). The purpose of this initiative is to provide a forum for interested parties, primarily landowners, and the Board to discuss and generate options for the Board's review of lands issues. These discussions are expected to improve understanding of various interests, and will also help to develop stronger working relationships among the different parties. Over 400 people have participated in the LMCI consultations across Canada. The LMCI discussions are looking at the range of existing tools (such as regulations, guidance notes, regulatory filing expectations, inspections and audits) to identify possible improvements in the future. Discussion is separated into four streams:

1. Company Interaction with Landowners;
2. Improving the Accessability of NEB Processess;
3. Pipeline Abandonment – Financial Issues; and
4. Pipeline Abandonment – Physical Issues.

Then next major step for the LMCI is to prepare a report with recommendations which will address the issues that have been identified.

Program and Results on Objectives of 2007-2008

The objectives for Goal 1, which focuses on safety and security, apply to Goal 2, which focuses on environment. The results achieved toward Goal 2 under these objectives are discussed under Goal 1.

2.3.3 Goal 3

Canadians benefit from efficient infrastructure and markets.

The NEB promotes efficient energy infrastructure and markets through the regulation of pipeline and electrical transmission facilities, pipeline tolls and tariffs, and energy imports and exports. The NEB also provides energy information to Canadians and works to continually improve the efficiency of its regulatory processes.

The NEB is responsible for approving natural gas, natural gas liquids, crude oil, petroleum products, and electricity exports. The basis of the NEB's approach for the authorization of exports is to ensure that Canadians have access to Canadian-produced commodities on terms and conditions at least as favourable as those available to export buyers. To achieve this outcome, the NEB undertakes extensive monitoring and reporting of market conditions. The NEB promotes functional markets and monitors these markets to verify they are responding to market signals consistent with the fundamentals of supply and demand. Additionally, the NEB monitors transportation markets for the utilization and adequacy of pipeline capacity. The NEB also informs the public about energy market trends on an ongoing basis. Providing and interpreting energy market information contributes to the efficient operation of energy markets.

Finally, in the context of the NEB's operations, efficient energy infrastructure and markets embodies regulatory efficiency. This includes reducing regulatory barriers, streamlining regulatory processes and effectively coordinating these processes with other agencies, when appropriate, and striving to minimize costs incurred by parties.

Performance Measures and Results

To gauge results under Goal 3, the NEB used three performance measures:

- Evidence that Canadian energy and transportation markets are working well.
- Evidence that the Board's advice and energy information products benefit Canadians.
- Evidence that the Board's regulatory processes are efficient and effective.

Evidence that Canadian energy and transportation markets are working well

A key indicator that energy and transportation markets are working well is that Canadians can obtain energy commodities on similar terms and conditions that are available to export buyers. In the context of the North American market, this means that the prices paid for oil, gas and electricity in the domestic market should be responsive to demand and supply pressures and, in an integrated market, essentially the same as the prices in the export market. Price trends over the past several years indicate that domestic and export prices have been tracking closely (Figures 5 to 8).

Figure 4 illustrates net export revenues by commodity. For 2007, data reflects revenues have remained consistent or increased year over year.

Figures 5 and 6 illustrate that the natural gas and crude oil markets continue to work.

Figure 5 demonstrates that prices generally reflect overall supply and demand of natural gas in North America. Canadians are paying fair market prices for natural gas. Above-normal temperatures in the winter of 2006-2007 left large volumes of natural gas in North American gas storage facilities at the beginning of April. Gas prices weakened through the spring and summer as increased volumes of liquefied natural gas (LNG) were imported into the United States. By September, LNG imports receded by about half of

the summer rate, as European and Asian LNG pre-winter demand increased. Consequently, natural gas prices increased from the late-September low.

Figure 4: Estimated Net Export Revenues by Commodity

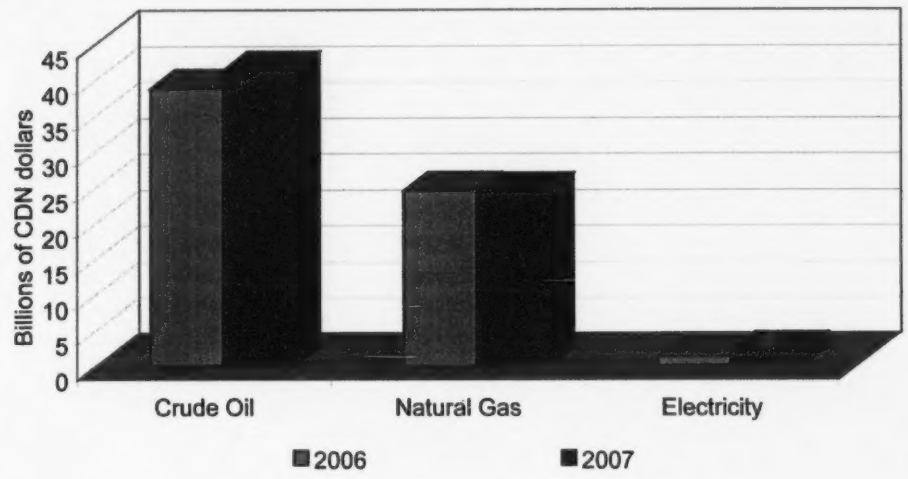


Figure 5: Comparison of Export and Domestic Natural Gas Prices

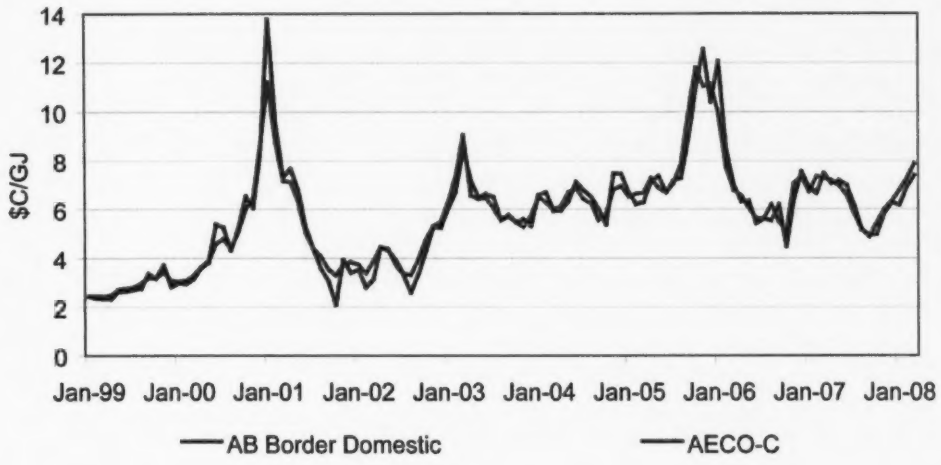
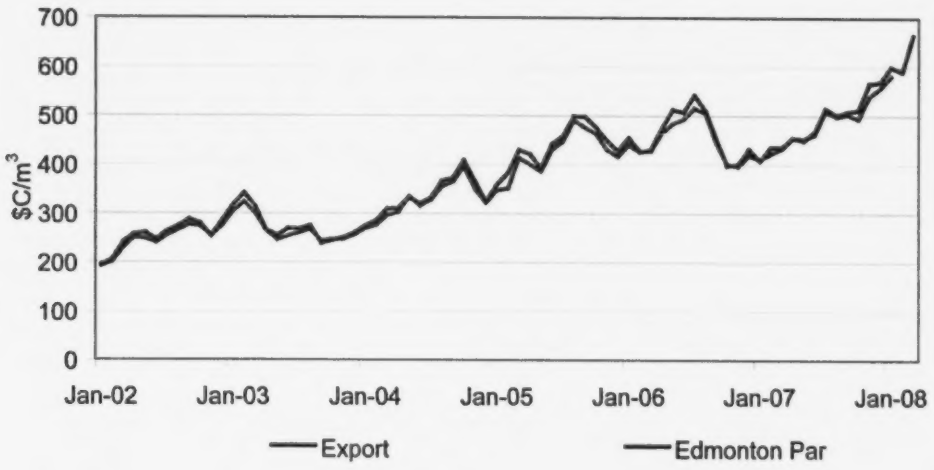


Figure 6 illustrates that the light crude oil market continues to work. Canadians are paying competitive market prices for both light and heavy crude oil. Canadian prices started the fiscal year at CDN$435.84/$m^3$ (CDN$69.20/bbl) and rose dramatically, closing at CDN$664.53/$m^3$ (CDN$105.50/bbl) on 31 March 2008. This represents a year-on-year increase of almost 53 percent. Supporting the price increase was a sharp decline in U.S. crude oil inventories which approached the lower boundary of the five year range as 2007 ended.

Figure 6: Comparison of Export and Domestic Oil Prices



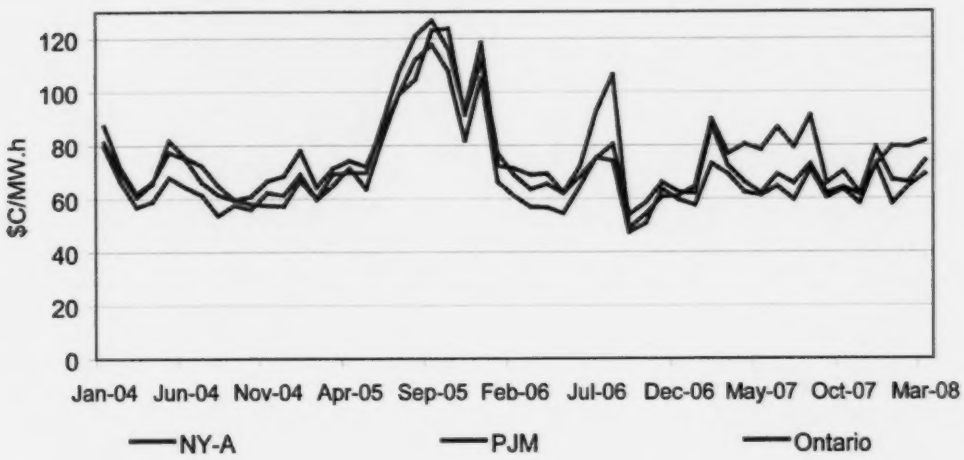
In 2007, Canadian refinery utilization rates rose 1.6 percent as a result of increasing demand for petroleum products. Distillate fuels (heating oil and diesel) had adequate supply during the winter, with the exception of western Canada, where a fire at the Shell Scotford upgrader in November contributed to product supply tightness. Product prices were roughly 4.2 percent higher in 2007 compared to 2006 reflecting the increase in crude oil prices. The full impact of higher crude oil prices was offset by the appreciation of the Canadian dollar versus the U.S. dollar.

In Canada, only Ontario and Alberta have functioning electricity markets where price is determined by the forces of supply and demand. Figure 7 and Figure 8 illustrate prices in interconnected electricity markets. Where interconnected markets have adequate generation and are connected by efficient and effective transmission systems, price changes in one market should reflect price changes in the other. If transmission constraints exist between the interconnected markets, there will be less of a tendency for prices to be correlated.

For example, Ontario wholesale electricity prices are correlated with adjacent U.S. markets. Figure 7 shows Pennsylvania–Jersey–Maryland (PJM) Interconnections and New York–West (NY-A) pricing points.

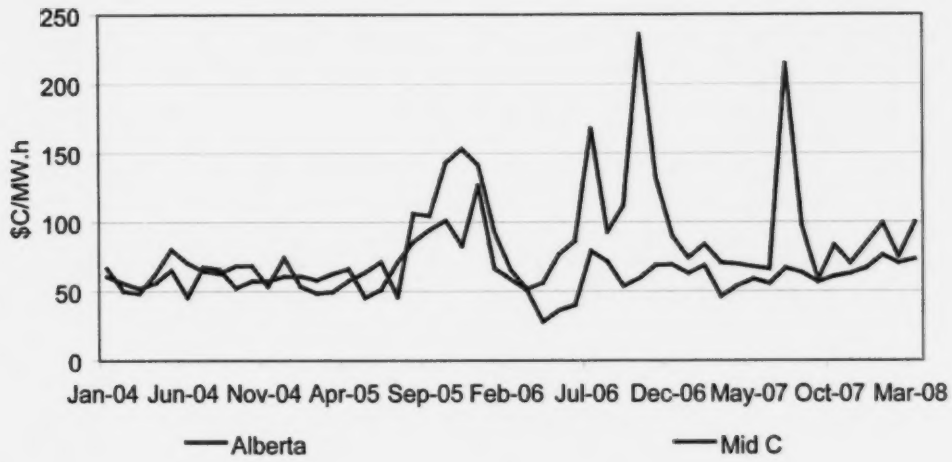
Despite typically being a summer peaking province, Ontario's monthly average peak power prices were highest in February and December in 2007. The summer price peak occurred in August last year, with power prices in PJM averaging $20/MW.h more than in Ontario for that month. The divergence of the prices in PJM over the summer is due to congestion on transmission lines within that region. Domestic load in Ontario was slightly down from summer 2006, due to mild summer weather and languishing industrial demand.

Figure 7: On-Peak Electricity Prices in Ontario and Adjacent American Markets



As shown in Figure 8, the Alberta Electric System Operator (AESO) on-peak power price and the Mid-Columbia (Mid-C) price in Washington State represent western pricing points. Correlation between the two prices is evident but is not as close as in eastern Canada. Transmission constraints continue to limit the volume of energy that can be traded between the regions.

Figure 8: On-Peak Electricity Prices - Alberta and Mid-Columbia



An extended period of warm weather that resulted in five power warnings throughout July 2007 forced prices to reach the $999/MW.h maximum resulting in an average monthly pool price of C$214/MW.h. The large divergences between these regional prices, over the past few summers, have been due to exceptional situations, where Alberta

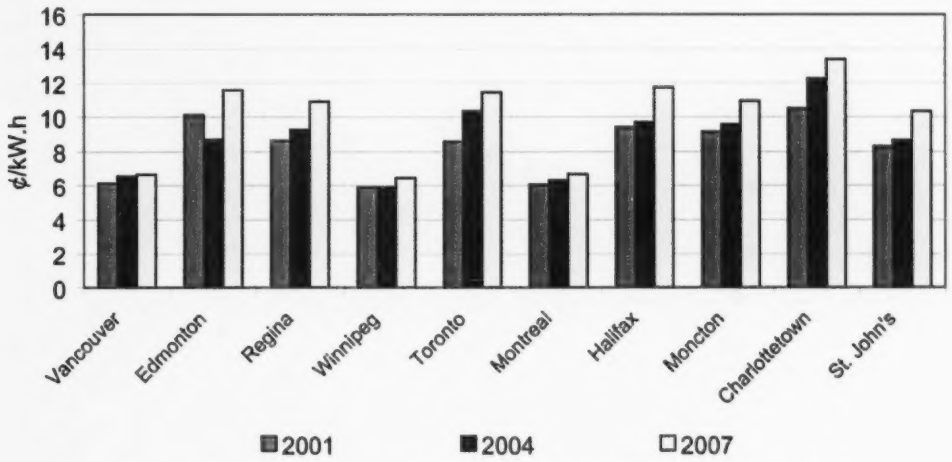
had a combination of low generation and transmission outages. The prices in the two regions have followed a similar path since September 2007.

Figure 9 illustrates that electricity prices paid by consumers vary significantly across the country. The lowest prices are in the hydro provinces, which have the lowest-cost electricity, and are less subject to the rise in fuel costs than those areas which rely on fossil fuels for electricity generation.

For the natural gas and oil pipeline transportation systems to work well, the following three factors must be present: 1) there is adequate pipeline capacity in place to move products to consumers who need them; 2) pipelines are providing services that meet the needs of shippers at reasonable prices; and, 3) pipelines have adequate financial strength to attract capital on terms that allow them to build infrastructure and maintain their systems at a reasonable cost to customers.

With respect to the adequacy of pipeline capacity, one measurement is based on the principle that if adequate capacity exists, the difference in commodity price between two markets connected by a pipeline should be similar or less than the cost of transportation. Prolonged periods of a higher price differential could indicate the need for additional capacity on a pipeline.

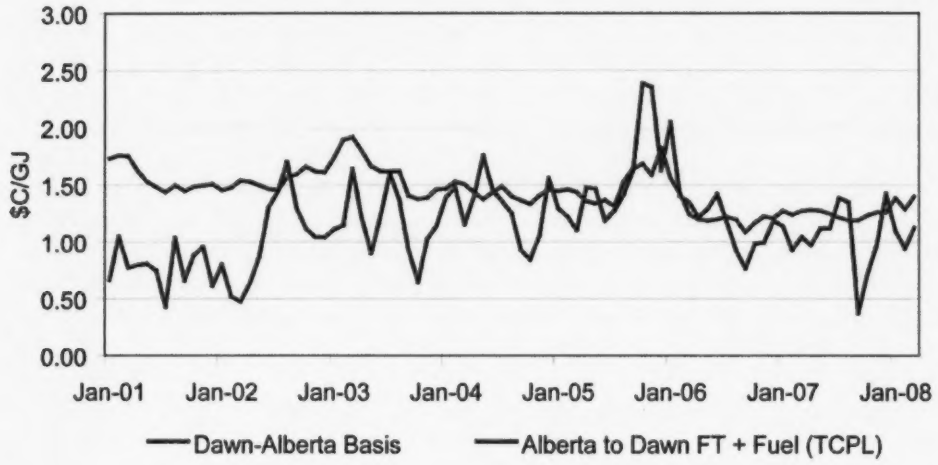
Figure 9: Residential Electricity Prices in Representative Canadian Cities



(Source: Hydro-Quebec. Comparison of Electricity Prices in Major North American Cities. 2007)

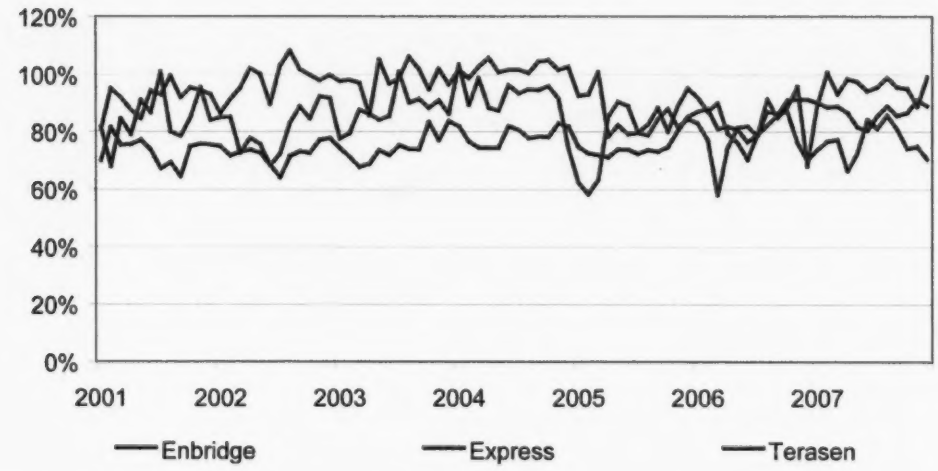
As Figure 10 shows, the historical gas price difference between Dawn, Ontario and Alberta has generally been less than the cost of transportation (firm transport plus fuel) via the TransCanada pipeline, which connects these two markets. The data provides an indication that in general, there has been sufficient pipeline capacity between Alberta and Ontario. Using similar analysis, the NEB concludes that adequate capacity existed on all major gas pipeline corridors over the last year.

Figure 10: Alberta Basis versus Transportation and Fuel Cost



The NEB also directly monitors pipeline throughput relative to capacity to gauge whether an adequate level of transportation is available. This analysis also indicates that natural gas pipeline capacity was adequate but showed some constraints on oil pipeline capacity in 2007-2008. Oil pipeline capacity utilization is illustrated in Figure 11.

Figure 11: Oil Pipeline Capacity Utilization



Kinder Morgan's Trans Mountain Pipeline system was apportioned throughout the year as a result of strong demand from U.S. northwest refineries and increased shipments off the Westridge dock. Heavy crude oil producers sought to ship crude off the west coast to realize higher netbacks as the more accessible U.S. Midwest market became saturated. Capacity was sufficient on Kinder Morgan's Express pipeline, but, due to downstream

capacity tightness on the Platte system, Canadian producers were limited in terms of how much they could ship from Hardisty, Alberta. Certain lines on the Enbridge system operated at or close to full capacity and, at times, were unable to flow all volumes offered.

While oil pipeline capacity utilization in 2007-2008 indicated that there was some spare capacity on the pipelines, downstream bottlenecks on both Express and Enbridge limited the amount of crude that could be shipped. As Canadian oil production increased, driven by oil sands development, capacity on Canadian oil pipelines remained very tight, indicating additional capacity may be required.

In 2007-2008, the NEB approved TransCanada's Keystone pipeline (69 000 m^3), Enbridge's Alberta Clipper pipeline (71 500 m^3), Enbridge's Westpur ACCE capacity expansion, and Enbridge's Southern Lights project which involves transporting diluent from the U.S. to the Alberta oil sands.

Evidence that advice and information products benefit Canadians

The NEB provides information products about energy market trends so that the public has information to make decisions about choices for energy sources for the future, and so that policy makers have access to independent, timely and objective energy information to make informed decisions. The energy market information is provided through Energy Market Assessments, statistical reporting and consultation with other organizations. All of this material is available through the NEB website. In 2007-2008, the number of web visits to the NEB Internet site continued to increase. The Energy Pricing for Canadian Consumers section of the website continues to be popular, maintaining the number of web visits as the previous year. The report on *Canada's Energy Future* and accompanying background material on the website received the most web visits of our energy products, indicating greater use of NEB-source energy information.

Evidence that the NEB's regulatory processes are efficient and effective

The NEB continues to monitor the efficiency and effectiveness of its regulatory processes. Service standards have been published and posted on the NEB's website since 2005. The NEB compiles data on cycle times (the time between receiving an application and rendering an NEB decision) to track the number, type and processing time of applications it receives. This provides evidence that the NEB's regulatory processes are efficient and effective and helps pinpoint areas requiring attention. The NEB has established service standards for these cycle times. Table 5 shows the service standards for the various types of applications and permits and the performance relative to the service standard for the 2007-2008 year.

Table 5: Cycle Times and Service Standards

Type and Number	Processing Time		
Non-Hearing Section 58 Applications[1]	Standard	Result	Average
Category A: 12	80% in 40 days	92%	33.0
Category B: 3	80% in 90 days	100%	58.0
Category C: 0	80% in 120 days	(n/a)	(n/a)
Reasons for Decision[2]	Standard	Result	Average
80% of Reasons for Decision completed within 12 weeks following a public hearing: 5	80% in 12 weeks	80%	(n/a)
Electricity Export Authorizations[3]	Standard	Result	Average
Category A: 7	80% within 40 calendar days	100%	35.0
Category B: 3	80% within 90 calendar days	100%	72.0
Export and Import Authorizations[4]	Standard	Result	Average
NGL Orders: 6	2 working days	67%	2.3
Oil Orders:13	2 working days	62%	2.2
Natural Gas Orders: 149	2 working days	99%	2.0

1. Section 58 applications are classified into one of three categories (minor, moderate, major) based on: their level of complexity; the estimated number and type of information requests which may be generated; the probability of third-party interest; and the level to which a Federal Authority may become involved in the environmental assessment of the application.
2. There were two Reasons for Decision involving the issuance of a separate Environmental Assessment Report requiring a Government Response or decision from the Minister of the Environment issued in 2007-2008. A new service standard regarding such Reasons for Decision has been developed for 2008-2009.
3. Electricity export applications are divided into one of two categories (minor or major) based on their level of complexity.
4. Service standards for Oil and NGL orders apply to new orders only (not renewals).

In 2007-2008, the NEB processed 351 short-term applications, including 58 propane, 49 butane, 95 crude oil/petroleum product export orders and 149 natural gas import and export orders. All export orders met the NEB's service standard of two working days with the exception of two new NGL and five new oil and/or petroleum product orders. In these situations, staff turnover and processing delays were contributing factors. Orders that did not meet the two day service standard were processed within three days.

Program and Results on Objectives of 2007-2008

The NEB identified three objectives under Goal 3 in its 2007-2008 RPP. These objectives and the results achieved are discussed below.

1. Regulatory processes fit the scope and risk of applications and other regulated activities.

This year, the NEB improved the application process for small pipelines by developing criteria enabling companies to submit streamlined applications; consequently, these applications can be assessed by the Board more efficiently and improve Board cycle times. Using a simplified assessment process for low-risk facility applications reduces the time required for regulatory decisions on small, routine pipeline facilities, reduces industry's application costs related to small pipelines, and reduces industry avoidance of federal regulation for small pipelines.

Technically uncomplicated, straightforward application

+

Satisfactory company compliance record

+

Lifecycle compliance tools available for any required project or company follow-up

=

Streamlined Application Assessment

A satisfactory company compliance record is verified using inspection reports, audit reports and condition compliance. Regulated companies will use the Board's risk criteria to evaluate the risks of their proposed project, confirming the level of risk for each criterion and providing additional information to the Board only in the event that there is more than a low level of risk for that particular criterion. In 2007-2008, the NEB developed an Online Application System (OAS), for regulated companies to submit small pipeline applications.

A similar approach has been initiated in the processing of electricity export applications in order to more appropriately fit the scope and risk of such applications. In 2007-2008, the Board conducted successful stakeholder consultations regarding the streamlining initiative for electricity export applications. Interim outcomes include reduced information requirements in electricity export applications, reduced Board cycle times and improved internal process documentation, approach and practices.

2. The NEB's energy information program focuses on emerging market issues and regulatory challenges.

Part of the Board's energy information program, the report on *Canada's Energy Future*, is a study of Canada's long-term energy supply and demand. In the report, released in the fall of 2007, the Board integrated the analysis of energy sector markets into a single "all energy" market analysis and outlook. The report describes plausible energy futures for Canada with a view to inform interested Canadians on how the energy system could evolve over the next 25 years to 2030. The report includes a range of potential scenarios for energy supply and demand. Feedback from cross-Canada consultations indicates that Canadians want to see more frequent reports on the future of energy in Canada, which are

firmly grounded in sharing of information and increased dialogue. Post-release, the NEB conducted a national conference to further encourage discussion of the results published in the report. The *Canada's Energy Future* link on the NEB website received close to 40,000 visits in 2007-2008. The report and accompanying background material can be found at www.neb-one.gc.ca.

The NEB collects and analyses information about Canadian energy markets through regulatory processes and market monitoring in order to support the Board's regulatory program and to provide public information to support better decisions by policy makers, industry and the public. In its Energy Information Program, the Board focuses on informing Canadians of energy market developments and issues related to the Board's regulatory mandate (primarily gas, oil and electricity market developments). The program comprises Energy Market Assessments, which provide detailed analyses into aspects of Canada's energy system, concise briefing notes, energy pricing information on the NEB website and semi-annual energy market outlooks. In 2007-2008, web visits to these areas of our website increased 28 percent over the previous year.

In 2007-2008, the NEB continued to develop an enhanced suite of products and communication services for its energy market analysis and observations. Included were media briefings on the NEB's outlook for crude oil, natural gas and electricity markets prior to the summer and winter seasons. These outlooks provide the NEB's expectations of how the markets will perform over the next few months. In addition, NEB Board Members and staff presented at various conferences and roundtables.

The consumer-focused section within the NEB website, *Energy Pricing for Canadian Consumers,* continues to provide Canadians with timely information about energy pricing in an easy-to-understand format. The energy pricing section examines oil, natural gas, propane and electricity.

The NEB has a legislative responsibility to compile data for several statistical reports related to its regulatory role in the oil, gas and electricity industries. Subject areas include natural gas exports, imports, volumes and prices; exports of propane and butane; crude oil and petroleum products exports; light and heavy crude oil export prices; crude oil supply and disposition; and imports and exports of electricity. Statistical reports can be found on the NEB's website.

2.3.4 Goal 4

The NEB fulfills its mandate with the benefit of effective public engagement.

Throughout its history, the Board has provided opportunities for the public to participate in the regulatory decision-making process. In recent years, the scope of these opportunities has grown to include broad consultation on new processes, an increased number of meetings and hearings in affected communities, and a wider range of tools for the public to access information about the NEB's operations.

Effective citizen engagement requires a commitment to open, honest and transparent communication. Parties affected by proposed projects have much at stake and in order to make decisions in the public interest, it is critical that the NEB ensures appropriate public engagement. Simplified processes, information sessions, Internet-accessible regulatory documents and Appropriate Dispute Resolution[2] are among the methods being used by the Board to support its goal of effective public engagement.

As part of a review of some key issues related to land matters, the NEB has created the Land Matters Consultation Initiative (LMCI). The purpose of this project is to provide a forum for all interested parties and the Board to engage in dialogue and generate options to support the long-term responsible development of the energy sector, while respecting the rights of those affected.

The LMCI includes a 4-stream approach to address the most common issues, including company interactions with landowners, improving the accessibility of NEB processes, and financial and physical issues surrounding pipeline abandonment. For each stream, desired outcomes have been identified and discussion papers were released to provide context for the issues and to focus discussion on key questions. The full spectrum of the Board's stakeholders, including landowners, industry, Aboriginal groups, non-government organizations, other regulators and government departments, were invited to participate in the LMCI.

Following the consultation process, the Board will release draft reports on the consultation results and invite additional input from parties on the proposed action plan. The Board has worked closely and transparently with key stakeholder groups to design and implement a consultation process that meets the needs of people who want to participate. As a result, stronger and broader relationships are being developed. By working together with parties who are most directly impacted by pipeline infrastructure, steps will be taken to provide greater clarity on the rights and interests of all parties, to continuously improve the accessibility of NEB processes and to bring more certainty to issues related to pipeline abandonment.

Performance Measures and Results

To measure the effectiveness of Goal 4 work, the Board used the following measure:

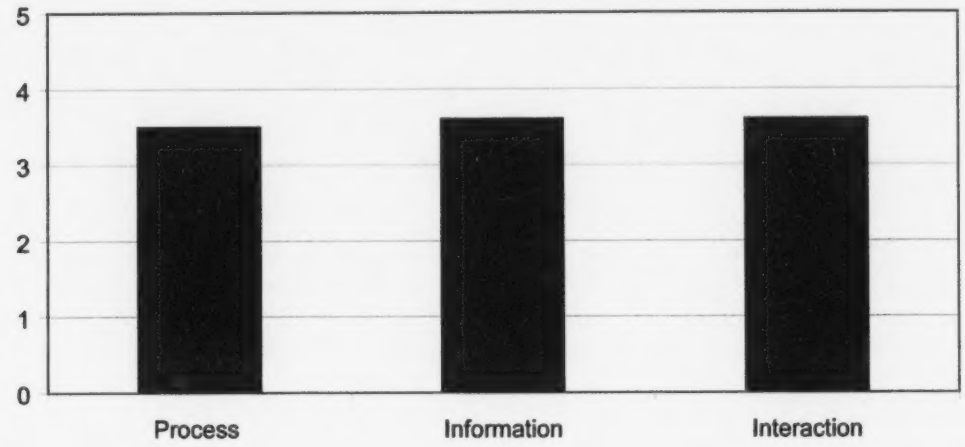
Board processes provide for effective participation by parties to Board matters

The Board is committed to ensuring that stakeholders are involved effectively in the Board's public processes. A composite indicator assessing stakeholder satisfaction with NEB processes, information and interaction is used to assess this measure. Based on data from a variety of sources, including surveys administered throughout the year following events such as workshops and hearings, and through comment cards inserted into all publications, stakeholders indicated a rate of 71 percent overall satisfaction. Figure 12

2 Appropriate Dispute Resolution is a tool that can be used to resolve differences outside of hearings and court proceedings. Various approaches can be used including negotiation, mediation and workshops, leading to increased understanding of interests and perspectives, and an increased likelihood of a "win - win" outcome.

indicates scores on NEB process, information provision and interaction, based on a five-point scale.

Figure 12: Stakeholder Satisfaction with Process, Information and Interaction



A number of events targeting the Canadian public and the media, such as media briefings following the release of publications and process-related information sessions, were organized in 2007-2008 in an effort to share information in a timely and efficient manner. The NEB continues its proactive approach with the media by actively responding to the needs of reporters with respect to the type and extent of information provided, distribution of complementary information pieces and plain language reviews.

Because of the strong focus put on the preparation of the report on *Canada's Energy Future*, fewer EMA publications were released during the course of the year. Also, in comparison to the previous year, the Board was not involved in as many hearings of interest to the media. While there was in general good media coverage on NEB processes and information releases, there was a decrease in the number of media hits from the previous year because of the above factors.

Table 6: Media Hits Covering NEB Activities

Media Hits	2007-2008	2006-2007	Percent Change
English	657	1033	- 36.4 %
French	52	53	- 1.9 %
Total	709	1086	- 34.7%

Visits to the NEB website are consistently high. The addition of new search capabilities during the previous year has started to generate positive results even though these search engines are still in the process of indexing the new website.

Program and Results on Objectives of 2007-2008

As noted in the RPP, the NEB identified three objectives. One of these, the objective to employ participant funding for infrastructure applications, was stopped. The NEB received legal advice that legislative amendments would be necessary in order to accomplish participant funding. Further, with the creation of the Major Projects Management Office over the past year, it was understood that there would be a multi-agency approach to this issue; the NEB's requirement for participant funding is subsumed within this approach.

1. Engagement and communication practices for NEB matters meet the needs of stakeholders.

The purpose of the engagement portion of this objective is to ensure that both the Board's and public stakeholders' needs are met by effective participation in Board processes. The Board is implementing a public engagement program which proactively assists Canadians to effectively participate in Board matters. As part of its hearing process, the NEB now routinely conducts pre-hearing meetings with interested members of the public to assist them in participating in the hearing.

In 2007-2008, an update of the NEB website was undertaken. The updated website has improved access, enabled stakeholders to better understand what the NEB does, and how to be involved in Board processes. Notable improvements to the website include more straightforward navigation capabilities and a more reliable search function. The renewed website incorporates Treasury Board's Common Look and Feel (CLF) 2.0 guidelines and further improvements to the website will be made in 2008-2009.

2. The NEB has a range of interest-based approaches to fulfill its regulatory mandate.

For those applications and processes within the NEB's control, the Board's direction is to use interest-based processes where possible and, generally, to explore their use prior to relying on adjudicative processes. This should also result in more efficient processes, reduced cycle times and costs. At the same time, there are instances where a hearing is the most effective and appropriate approach. Interest-based approaches and hearings together form a range of process options which the Board can use according to the specifics of the application. The development of a suite of interest-based processes for regulatory processes was stopped as a project in 2007-2008 due to resource issues, but is being implemented on a pilot basis, with a focus on resolving landowner and company issues prior to the time of a regulatory hearing.

2.3.5 Goal 5

The NEB delivers quality outcomes through innovative leadership and effective processes.

Goal 5 focuses on the leadership and management accountabilities needed to support a high performance organization that delivers on its commitments. This goal is about sound business management and effective decision-making, to ensure that the organization has the people, technology, facilities, records management procedures, and financial resources available to carry out its mandate.

In 2007-2008, the tight job market across Alberta, as well as skill shortages and corresponding hikes in wages and benefits, continued to affect our ability to be competitive with other employers. In addition, the high cost of housing affected our ability to attract experienced workers to Calgary where the NEB is located. Changing demographics and the need to work within a highly legislated environment have presented further challenges to recruitment efforts.

As well, during 2007-2008, the NEB obtained additional funds from the Treasury Board to hire more skilled staff to deal with the increasing workloads and to invest in succession planning. The Board continues to emphasize interesting work in the national public interest, work/life balance, and flexible work arrangements as part of our attraction and retention incentives.

Performance Measures and Results

In order to evaluate the success of meeting Goal 5 objectives, the NEB used the following performance measures:

- Employee satisfaction
- Effective resource management

Employee Satisfaction

In response to the results of the 2005 government-wide employee opinion survey (EOS), an employee advisory group made 25 key recommendations related to workplace enhancements, relationships and communications. In 2007-2008, the NEB Executive Team acted on many of the recommendations and posted an action log on our intranet. The log records specific activities and initiatives implemented to address priority items such as:

- revitalizing the NEB values;
- expanding Executive Team communications;
- enhancing the performance management program (RESULTS) and training programs;
- developing plans to implement change management training for leaders and employees; and
- launching an employee classification review.

Although a "mini" employee survey was planned for January 2008 to measure the progress of the above noted items as well as other ongoing initiatives, it was postponed due to collective bargaining. The Public Service National EOS is planned for fall 2008. However, as an alternative, an NEB values survey was conducted and the results indicate that 88 to 90 percent of our employees understand and live the values of the organization.

Effective Resource Management

In 2007-2008, business planning included a resource allocation tool and a method of tracking spending for each team and business unit in order to support the NEB in delivering upon its mandate and strategic plan. This year, the business plan became a dynamic document that served as an effective tool for managing resources. This was facilitated by having most activities identified in the business plan linked to our financial accounting system. Utilizing the resource planning tool, the NEB set a target of being within four percent of the annual budget allocation, and was able to exceed this target with a 1.3 percent variance at the end of the fiscal year (Table 7). This variance is predicated on removing the Hearing Reserve allocation and costs, as these are considered uncontrolled. The number and complexity of hearings varies from year to year based on industry demand. In this regard, the Hearing Reserve needs to be dealt with in isolation.

Table 7: NEB Resource Management

Resource Management ($000,s)	
NEB Allocation	**$42,452.0**
Less: Performance Pay, Market Allowance & Ex Bonus	$2685.8
Less: Recoverable Severance & Maternity Leave	$1,051.3
Revised Allocation	**$38,714.9**
Less: Expenditures	$37,082.8
Less: Projected Surplus	$766.7
Balance	**$865.4**
% vs. Revised Allocation	**2.2%**
Resource Management without Hearing Reserve ($000,s)	
Revised Allocation	**$38,714.9**
Less: Hearing Reserve Allocation	$1,221.6
Revised Allocation	**$37,493.3**
Less: Expenditures	$36,243.9
Less: Projected Surplus	$766.7
Balance – Without Hearing Reserve	**$482.7**
% vs. Revised Allocation	**1.3%**

Program and Results on Objectives of 2007-2008

The NEB identified three objectives for Goal 5 in its 2007-2008 RPP. These objectives and the results achieved are discussed below.

1. The NEB has the necessary capacity to fulfill its mandate.

The year 2007-2008 continued to be a time of great change and challenge, both outside and inside the NEB. Staff continues to face increasing demands as a result of globalization, shifts in resource supply and technology changes. Leaders are required to implement a results-based approach emphasizing innovation, accountability and risk taking, while dealing with an increasingly diverse workforce. The NEB will continue to experience intense competition for a smaller pool of knowledgeable, competent employees required to carry out its mandate.

The Board is inspired by the vision of a strategically-managed, high performance organization where the right people are available to do the right things at the right time. Recognizing that organizational performance is directly linked to the technical excellence and flexibility of our workforce, we have continued to develop and refine the annual performance assessment process that links individual performance to the Board's business priorities. Over the past year, the market allowance and the performance pay pilot project continued in effect so that individual performance could be recognized and rewarded.

Recruitment, Retention, Succession Planning

Given the unique role that the NEB plays on behalf of the Canadian public, the greatest challenge is to attract and retain the people needed to enable the NEB to fulfill its mandate. The NEB's People Strategy outlines its long-term needs and approach for recruiting and retaining qualified employees. Through this plan, the NEB is updating and improving recruitment and retention strategies and succession planning on a number of fronts.

The NEB provides a flexible work environment for its employees. In an effort to retain staff in the competitive Calgary labour market, several employees telework from different regions of the country. The benefits of a telework policy include retention of experienced employees who thrive on the challenging work of the Board, as well as the ability of those individuals to network with other stakeholders, including provincial governments, associations, pipeline companies and the oil and gas industry, in different parts of Canada.

During 2007-2008, the NEB further defined a framework for supporting the acquisition of knowledge, skills, and experience that will enable employees to advance their individual career objectives while contributing to Board work. The NEB supports career growth through development plans, coaching and other learning opportunities available to all staff. These opportunities may be focused on attaining current job expectations or stretch goals, and are part of a larger succession planning strategy. Last year, NEB

employees spent approximately 14 000 hours in learning events, including attending conferences, formal education, courses of study and on-the-job training. In April 2007, the Board launched its Technical Excellence Program, the objective of which is to promote timely and quality knowledge transfer and skills development. To date, nearly 200 NEB staff has received training in a range of technical and legislative competencies as part of the technical excellence project.

The NEB's leadership development program focused on developing management and leadership skills. By participating in this program, leaders and potential leaders sharpen their skills through hands-on training programs offered in-house and through organizations such as the acclaimed Banff Centre. The in-house program provides the government-specific knowledge required for managing finances, procurement, human resources and government information; the Banff Leadership courses support the growth of strategic, personal, and team leadership skills.

In 2007-2008, the Board launched a new training strategy and offered three customized training courses in project management. Eighty-nine employees participated in the course best suited to their role and level of experience. The Board also provided coaching and support to project managers and drafted a standard for defining the skills and competencies required of project managers.

To enable more effective and efficient recruiting, the NEB developed a Talent Team to lead and facilitate hiring activities. The team, composed of NEB employees, has successfully recruited 19 individuals to the NEB.

Business Continuity Plan

Treasury Board's Government Security Policy requires departments to establish a business continuity planning program to provide for the continued availability of critical services and assets, and of other services and assets when warranted by a threat and risk assessment. Critical services and associated assets must remain available in order to assure the health, safety, security and economic well-being of Canadians, and the effective functioning of government.

The NEB's Business Continuity Plan (BCP) was updated this past year using the services of a consulting firm to aid in this endeavour. In addition, a pandemic plan has been written and will be incorporated as a chapter in the BCP. Unfortunately, the high rate of staff turnover, particularly in key BCP positions, and the pressures of other tasks have meant that the updated plans were not delivered until year-end. This has meant that the necessary staff training and awareness was not accomplished in this reporting period but will be addressed in the next fiscal year.

Resource Management

The Canadian energy sector has been very active, placing a high demand on the NEB in its regulatory role. As a consequence, the NEB has experienced a significant increase in its costs. In order to continue effectively meeting its mandate, it was necessary for the NEB to seek additional financial resources. Accordingly, the NEB made a submission to

Treasury Board and, on 18 September 2007, received approval for an additional $25.5 million to be provided over the next three years. This funding will enable the NEB to meet the higher cost of its operations. These expenditures will be eligible for recovery under the NEB's *Cost Recovery Regulations.*

Information Management Renewal

The Board's Information Management Renewal project establishes the tools, training, techniques and practices that will respond to the information management needs of the NEB and the Government of Canada. As part of this project, the Government of Canada Information Management standard toolset known as the Record and Document Information Management System (RDIMS), is being implemented. Consultations with key staff members and NEB business units have been completed to ensure business alignment with the work to date. The Board's file plan has been reviewed and updated to meet Library and Archives Canada guidelines. The Information Management Renewal project will streamline information handling at the Board, and preserve information of enduring value to Canadians. During the first quarter of 2008, all Board staff received Information Management and RDIMS application training, enabling staff to share in and contribute to a managed corporate information repository.

2. The NEB lives a results-based culture of excellence.

Leadership and Development Programs

The NEB continues its commitment to demonstrating excellence in all aspects of its work. The NEB's focus is on supporting staff career management through development plans, mentoring and challenge opportunities. Throughout 2007-2008, a number of activities related to the Learning and Development Framework were incorporated to continue the promotion of an NEB culture while proactively addressing employee attraction, engagement and transition challenges:

- The NEB OnBoarding Program was developed by initially reviewing and revamping the overall NEB Orientation Program. Key in this revamp was the publication of an employee handbook to be given to each new employee. As well, this program was expanded to introduce new employees to both an information technology and a workplace health and safety component;
- Further emphasis has been placed on individual learning plans with the development and publication of a formal learning plan document. This document now forms part of the RESULTS performance management system and is discussed as part of the RESULTS debriefing process;
- The NEB implemented the Management 101 course for all leaders and supervisors at the NEB. This training was developed in concert with the Canada School of Public Service (CSPS) and is based on the institution's G110/124 courses. A consultant was hired during this period to review all CSPS management courses with a view to applicability to the NEB; and

- Utilizing the expertise resident in our Professional Leadership Team, a formal coaching and mentoring program has been put in place to assure continued knowledge transfer to new, less experienced staff while at the same time ensuring more experienced staff is afforded the opportunity to develop and expand their horizons.

Recognition and Reward Programs

With the current labour market in Alberta and more particularly, Calgary, the importance of recognition as a means of increasing employee retention has been recognized. The NEB Rewards and Recognition program, which culminates in an annual ceremony, salutes employee efforts and successes throughout the year. This program features a range of formal and informal measures for collectively expressing and reinforcing NEB values and the way that people work effectively together. In 2007-2008, focus groups were consulted to solicit employee input in order to incorporate new means of recognizing our employees and their achievements that support our strategic plan.

Corporate Performance Measures

The purpose of this project was to review the NEB's current suite of corporate measures and to provide recommendations for improvements. The need for this improvement work was identified through the NEB's Quality Management System (QMS) implementation, as well as feedback from stakeholders. The project was a timely one for the Board, since it coincided with a number of requirements from different sources to document, review and improve our measures.

The framework used for the measures was the Strategic Plan Goals and the regulatory outcomes leading to those Goals. This framework, as represented through logic models for each Goal, allowed the project team to systematically review the existing measures, identify gaps, and provide recommendations for improved measures and improvements to our performance measurement system.

The project team documented existing measures, conducted a gap analysis, developed improvements for our corporate performance assessment process and provided recommendations for our overall suite of measures by Goal. The project team found that it was not possible to work on improving measures without looking at our whole performance measurement system. Thus, project recommendations address improvements for our Board-wide performance measurement system, as well as for program measures that contribute to the Goals.

3. The NEB has a fully operational quality management system.

The Quality Management System (QMS) is the framework of processes and accountabilities by which we ensure that we meet the needs of our stakeholders, today and in the future. Started in 2005-2006, QMS is now firmly ingrained in the NEB's culture and is accepted as the way we work. All new employees receive QMS orientation so they are equipped to use the 500-plus documents that describe the Board's 70 business processes and sub-processes. In 2007-2008 alone, staff recorded 363 improvement

suggestions, many of them implemented, on how to make our products and processes even better.

Throughout 2007-2008, the NEB continued to implement its Quality Management System as a framework for:

- effective, efficient execution of Board processes;
- ensuring stakeholder needs are met;
- enabling process consistency where required, and flexibility where possible; and
- encouraging continuous improvement.

A gap analysis conducted in the last quarter of the fiscal year indicated that the Board had exceeded its target of 60 percent completion on the 'QMS Maturity' index, using the *ISO 9001:2000 Quality Management Systems – Requirement* as a guide, with a final score of 65 percent. The score exceeded the previous year's rating and indicates improvement in key NEB processes.

As a sub-set of the QMS, an NEB internal website project working group has been established with a view to aligning the NEB website (known as iWeb) with the current QMS Process Dashboard. This project has finished the design phase with the preparation of some initial mock-ups of the new iWeb design and the completion of a series of client reviews. The suggestions and feedback received have been incorporated into the design and a prototype to test usability is under construction.

Section III : Supplementary Information

3.1 Performance Measures Summary

Strategic Outcome	Goals	Measures	Further information
Safety, security, environmental protection and economic benefits through regulation of pipelines, power lines, trade and energy development within NEB jurisdiction.	Goal 1 – NEB- regulated facilities and activities are safe and secure and are perceived to be so.	Number of fatalities: 1 pipeline related; 0 electricity facility related Number of hydrocarbon pipeline ruptures per year: 2 Number of pipeline incidents per year: 56 COGO Act disabling injuries: 1 COGO Act hazardous occurrences: 24 Number and significance of security infractions: 0	Section 2.3.1
	Goal 2 – NEB-regulated facilities are built and operated in a manner that protects the environment and respects the rights of those affected.	Percent of environmental conditions that achieved their desired end results: 100% in calendar year 2006 Number of major liquid hydrocarbon releases into the environment: 3 major release in calendar year 2006 Indicators that the rights of those affected are respected: 88% of landowner complaints resolved within service standard (80 percent in 60 days)	Section 2.3.2
	Goal 3 – Canadians benefit from efficient energy infrastructure and markets.	Evidence that Canadian energy and transportation markets are working well Evidence that advice and information products benefit Canadians: Web visits increased 28% Evidence that the Board's regulatory processes are efficient and effective: Service standards for non-hearing s.58 applications met	Section 2.3.3
	Goal 4 – The NEB fulfills its mandate with the benefit of effective public engagement.	Board processes provide for effective participation by parties to Board matters: stakeholder satisfaction approximately 71%	Section 2.3.4
	Goal 5 – The NEB delivers quality outcomes through innovative leadership and effective processes.	Employee satisfaction: NEB values survey results indicate 88 -90% of employees understand and live the values of the organization Effective resource management: met target of being within 4% of annual budget allocation: result was 1.3% in 2007-2008	Section 2.3.5

3.2 Financial Information

Table 8: Comparison of Planned Spending and Full-time Equivalents

Departmental Planned versus Actual Spending ($ millions)						
			2007-2008			
	2005-06 Actual	2006-07 Actual	Main Estimates	Planned Spending	Total Authorities	Actual Spending
Energy Regulation and Advice	39.8	44.5	38.1	38.1	47.3	43.8
Total	39.8	44.5	38.1	38.1	47.3	43.8
Less: Non-respendable revenue	38.6	35.6	39.6	39.6	39.6	41.6
Plus: Cost of services received without charge	5.6	6.3	5.9	5.9	5.9	6.0
Total Departmental Spending	6.8	15.2	4.4	4.4	13.6	8.2
Full Time Equivalents	**299.6**	**300**	**307.6**			**293.09**

Table 9: Voted and Statutory Items

Financial Requirements by Authority ($ millions)					
Vote or Statutory Item	Truncated Vote or Statutory Wording	2007-2008			
		Main Estimates	Planned Spending	Total Authorities	Actual Spending
30	Program Expenditures	33.3	33.3	42.5	39.1
(S)	Contributions to employee benefit plans	4.8	4.8	4.8	4.7
	Total	**38.1**	**38.1**	**47.3**	**43.8**

Table 10: Sources of Non-Respendable Revenue

For supplementary information on the department's sources of respendable and non-respendable revenue please visit http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp.

3.3 External Fees and Service Standards

Table 11: Energy Regulation and Advice – *National Energy Board Act*

Table 12: Energy Regulation and Advice – *Canada Oil and Gas Operations Act*

Table 13: Service Standard for *Access to Information Act*

For supplementary information on the department's User Fees, please visit: http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp.

3.4 Financial Statements

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended 31 March 2008 and all information contained in these statements rests with departmental management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff; by organizational arrangements that provide appropriate divisions of responsibility; and, by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

The financial statements of the department have not been audited for the 31 March 2008 fiscal year. However, the National Energy Board also produces financial statements on a calendar year basis that are audited by the Office of the Auditor General.

National Energy Board Statement of Operations (Unaudited) For the Year Ended March 31 (in thousands of dollars)		
	2008	2007
REVENUES		
Regulatory fees	41,591	35,630
Miscellaneous revenue	4	5
	41,595	35,635
EXPENSES		
Salaries and employee benefits	34,352	36,344
Professional and special services	4,908	4,518
Accommodations	4,732	4,658
Travel	2,787	2,800
Acquisition machinery and equipment	1,115	387
Amortization	951	821
Repairs and maintenance	363	515
Communications	359	310
Supplies	254	375
Other	4	109
Total operating expenses	**49,825**	**50,837**
Net cost of operations	**(8,230)**	**(15,202)**
The accompanying notes form an integral part of these financial statements.		

National Energy Board Statement of Financial Position (Unaudited) At March 31 (in thousands of dollars)		
	2008	2007
ASSETS		
Financial assets		
Accounts receivable and advances (Note 4)	13,886	9,651
Total financial assets	**13,886**	**9,651**
Non-financial assets		
Prepaid expenses	211	210
Tangible capital assets (Note 5)	2,806	2,294
Total non-financial assets	3,017	2,504
TOTAL	**16,903**	**12,155**
LIABILITIES AND EQUITY OF CANADA		
Liabilities		
Accounts payable and accrued liabilities	8,018	4,599
Vacation pay and compensatory leave	1,390	1,390
Employee severance benefits (Note 6)	5,342	5,611
Total liabilities	**14,750**	**11,600**
Equity of Canada	**2,153**	**555**
TOTAL	**16,903**	**12,155**
Contingent liabilities (Note 7) Contractual obligations (Note 8) The accompanying notes form an integral part of these financial statements.		

National Energy Board Statement of Equity of Canada (Unaudited) For the Year Ended March 31 (in thousands of dollars)		
	2008	2007
Equity of Canada, beginning of year	**555**	**2,355**
Net cost of operations	(8,230)	(15,202)
Current year appropriations used (Note 3)	45,357	43,973
Revenue not available for spending	(41,595)	(35,635)
Change in net position in the Consolidated Revenue Fund (Note 3)	92	(1,164)
Services received without charge from other government departments (Note 9)	5,974	6,228
Equity of Canada, end of year	**2,153**	**555**
The accompanying notes form an integral part of these financial statements.		

National Energy Board Statement of Cash Flow (Unaudited) For the Year Ended March 31 (in thousands of dollars)		
	2008	2007
Operating activities		
Cash received from:		
Regulatory and other fees	37,680	34,588
Cash paid for:		
Salaries and employee benefits	(32,143)	(31,273)
Professional services	(2,949)	(4,530)
Travel	(2,737)	(2,788)
Machinery & equipment	(164)	(430)
Rentals	(757)	(740)
Supplies	(511)	(375)
Other	(88)	(309)
Repairs & maintenance	(363)	(515)
Communications	(359)	(310)
Cash provided by operating activities	**(2,391)**	**(6,682)**
Capital investment activities		
Acquisitions of tangible capital assets	(1,463)	(492)
Financing activities		
Net cash provided by Government of Canada	(3,854)	(7,174)
The accompanying notes form an integral part of these financial statements.		

Notes to Financial Statements

1. Authority and Objectives

The National Energy Board (NEB) is an independent regulatory agency, established in 1959 under the *National Energy Board Act* and is designated as a department and named under Schedule I.1 of the *Financial Administration Act*, reporting to Parliament through the Minister of Natural Resources.

The NEB regulates the following specific aspects of the energy industry:

- the construction and operation of international and interprovincial pipelines;

- the construction and operation of international and designated interprovincial power lines;
- traffic, tolls and tariffs of international and interprovincial pipelines;
- exports of oil, gas and electricity and imports of gas and oil; and
- oil and gas activities on Frontier lands not subject to a federal/provincial accord.

Other responsibilities of the NEB include providing advice to the Minister of Natural Resources Canada on the development and use of energy resources.

NEB's corporate purpose is to promote safety, environmental protection and economic efficiency in the Canadian public interest within the mandate set by Parliament in the regulation of pipelines, energy development and trade. This principle guides the NEB in carrying out and interpreting its regulatory responsibilities. The companies that are regulated by the Board create wealth for Canadians through the transport of oil, natural gas and natural gas liquids, and through the export of hydrocarbons and electricity. As a regulatory agency, the Board's role is to help create a framework which allows these economic activities to occur when they are in the public interest.

The NEB operates in a manner similar to a civil court. For major applications and inquiries, the Board holds public hearings at which applicants and interested parties have full rights of participation.

The NEB has the authority to charge those companies it regulates, in accordance with sub-section 24.1(1) of the NEB Act, the total costs attributable to the NEB's operations in carrying out its related responsibilities.

Under the *National Energy Board Cost Recovery Regulations* (the *Regulations*) approved by the Treasury Board, the National Energy Board recovers from the companies it regulates the cost of its operations, effective 1 January 1991. It has the delegated authority to determine what costs will be excluded from program expenditures for cost recovery purposes.

The NEB operates within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash received by the NEB is deposited to the CRF and all cash disbursements made by the NEB are paid from the CRF.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

a) Parliamentary appropriations – the Department is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the department do not parallel financial reporting according to generally accepted

accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

b) Net Cash Provided by Government – The department operates within the CRF, which is administered by the Receiver General for Canada. All cash received by the department is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

c) Change in net position in the CRF is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the department. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

d) Revenues:

- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

e) Expenses – Expenses are recorded on the accrual basis:

- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

f) Employee future benefits

i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.

ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using

information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

g) Accounts receivables are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

h) Contingent liabilities – Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

i) Foreign currency transactions – Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect on 31 March 2008.

j) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Machinery and equipment (Furniture)	10 years
Machinery and equipment (Audio visual equipment)	5 years
Informatics hardware (PCs and accessories)	3 years
Informatics hardware (Computer servers & accessories)	5 years
Informatics software (Commercial software)	2 years
Informatics software (In-house developed software)	5 years
Vehicles	5 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Assets under construction/development	Once in service, in accordance with asset type
Leased tangible capital assets	In accordance with asset type if ownership is likely to transfer to the department; otherwise, over the lease term

k) Measurement uncertainty – The preparation of these financial statements in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates

and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The Department receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used:		
(in thousands of dollars)	2008	2007
Net cost of operations	**8,230**	**15,202**
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Services provided without charge	(5,974)	(6,228)
Amortization of tangible capital assets	(951)	(822)
Revenue not available for spending	41,595	35,635
(Loss) gain on disposal and write-down of tangible capital assets	-	-
Vacation pay and compensatory leave		
Employee Severance Benefits	269	(420)
Other	432	(528)
	43,601	42,839
Adjustments for items not affecting net cost of operations but affecting appropriations		
Add (Less): Acquisitions of tangible capital assets	1,463	492
Prepaid expenses	293	642
Current year appropriations used	**45,357**	**43,973**

(b) Appropriations provided and used		
(in thousands of dollars)	2008	2007
Vote 30 – Operating expenditures	43,690	38,157
Transfer from TB Vote 15	-	102
Statutory amounts	4,692	4,890
Less:		
Lapsed appropriations: Operating	(3,025)	-
Operating overexpenditure		824
Current year appropriations used	**45,357**	**43,973**

c) Reconciliation of net cash provided by Government to current year appropriations used		
(in thousands of dollars)	2008	2007
Net cash provided by Government	3,854	7,174
Revenue not available for spending	41,595	35,635
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(4,235)	(1,017)
Variation in accounts payable and accrued liabilities	3,419	2,460
Other adjustments	724	(279)
Subtotal	**(92)**	**1,164**
Current year appropriations used	**45,357**	**43,973**

4. Accounts Receivable and Advances

The following table presents details of accounts receivable and advances:

(in thousands of dollars)	2008	2007
Receivables from other Federal Government departments and agencies	635	261
Receivables from external parties	16,164	12,311
Employee advances	3	(5)
	16,802	12,567
Less: allowance for doubtful accounts on external receivables	(2,916)	(2,916)
Total	**13,886**	**9,651**

5. Tangible Capital Assets

(in thousands of dollars)										
	Cost				Accumulated amortization					
Capital asset class	Opening balance	Acquis.	Disposals and write-offs	Closing balance	Opening balance	Amort.	Disposals and write-offs	Closing balance	2008 Net book value	2007 Net book value
Informatics (Hardware)	1,990	185	-	2,175	1,646	182	-	1,828	347	344
Informatics Software	1,975	681	-	2,656	1,119	392	-	1,511	1,145	856
Machinery and equipment	132	392	-	524	129	7	-	136	388	3
Other mach. & equip (incl. furniture)	180	-	-	180	42	16	-	58	122	138
Vehicles	25	-	-	25	20	5	-	25	-	5
Leasehold improvements	899	44	-	943	344	349	-	693	250	555
Assets under construction/ development	393	161	-	554	-	-	-	-	554	393
Total	**5,594**	**1,463**	**-**	**7,057**	**3,300**	**951**	**-**	**4,251**	**2,806**	**2,294**
Amortization expense for the year ended March 31, 2008 is $950,716 (2007 - $821,332).										

6. Employee Benefits

a) Pension benefits: The department's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The 2007-08 expense amounts to $3,420,242.68 ($3,477,642 in 2006-07), which represents approximately 2.2 times the contributions by employees.

The department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

b) Severance benefits: The department provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2008	2007
Accrued benefit obligation, beginning of year	5,611	5,191
Expense for the year	329	1,016
Benefits paid during the year	(622)	(596)
Accrued benefit obligation, end of year	**5,342**	**5,611**

7. Contingent Liabilities

Claims and Litigation

Claims have been made against the department in the normal course of operations. Legal proceedings for claims totalling approximately $831,000 ($60,000 in 2007) were still pending at March 31, 2008. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. The likelihood of these claims being realized cannot be determined so no amount has been accrued in the financial statements.

8. Contractual Obligations

The nature of the department's activities can result in some large multi-year contracts and obligations whereby the department will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	2009	2010	2011	2012 and thereafter	Total
Vendor contracts	160	70	-	-	**230**
Operating leases	107	-	-	-	**107**
Total	**267**	**70**	**-**	**-**	**337**

9. Related-party transactions

The department is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the department received services which were obtained without charge from other Government departments as presented in part (a).

a) Services provided without charge:

During the year the department received without charge from other departments, accommodation and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the department's Statement of Operations as follows:

(in thousands of dollars)	2008	2007
Accommodation	3,975	3,917
Employer's contribution to the health / dental insurance plans	1,999	2,311
Total	**5,974**	**6,228**

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in the department's Statement of Operations.

b) Payables and receivables outstanding at year-end with related parties:

(in thousands of dollars)	2008	2007
Accounts receivable with other government departments and agencies	500	261
Accounts payable to other government departments and agencies	652	-

c) Administration of programs on behalf of other government departments

The NEB administers the Northern Gas Project Secretariat (NGPS) and Environmental Studies Research Funds (ESRF). NGPS expenses are part of the NEB's appropriation whereas ESRF expenses are not.

The concept of the Northern Gas Project Secretariat was first unveiled in the Cooperation Plan, a document produced by the Northern Pipeline Environmental Impact Assessment and Regulatory Chairs' Committee in June 2002.

This Plan describes the framework that the authorities with environmental impact assessment and regulatory mandates, called the Agencies, will follow to implement coordinated environmental impact assessment and regulatory processes for a proposed

major northern gas pipeline project and associated developments. It outlines methods of cooperation between the Agencies that will avoid duplication of effort and provides clarity and certainty of process for the public, companies and other stakeholders.

The environmental review process commenced with the filing of the *Preliminary Information Package* in June 2003. The regulatory processes commenced with the filing of the five applications for the construction and operation of the Mackenzie Gas Project in October 2004.

The Northern Gas Project Secretariat office was officially opened in December 2003. With offices in Yellowknife and Inuvik, staff at the Project Secretariat will help northerners and interested public effectively participate in the environmental review and regulatory processes.

According to the Treasury Board submission approved on 1 December 2003, the operating costs of NGPS incurred by NEB are recoverable under the *National Energy Board Act* because the Secretariat functions are classified as part of the application process of the Act.

The NEB administers the Environmental Studies Research Funds. These funds are provided by INAC and NRCan. None of the NEB's appropriation is included in these funds. Any unused balances in the ESRF accounts are transferred to the partner departments at year end. ESRF expenses are reflected in the financial statements of INAC and NRCan.

10. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

3.5 Regulatory Reporting

The following table presents a summary of NEB Public Hearings from 1 April 2007 to 31 March 2008.

Oral Hearings	Results	Outcomes
Imperial Oil Resources Ventures Limited – Mackenzie Gas Pipeline (MGP) GH-1-2004	Application seeking approval to construct and operate a natural gas pipeline and related facilities through the Mackenzie Valley.	Ongoing process.
Emera Brunswick Pipeline Company Ltd. – Brunswick Pipeline GH-1-2006	Application seeking approval to build and operate a 145 kilometre, 762 millimetre diameter pipeline from the Canaport™ Liquefied Natural Gas Facility at Mispec Point in Saint John, New Brunswick to a point on the international border near St. Stephen, New Brunswick.	Reasons for Decision released in May 2007.

Oral Hearings	Results	Outcomes
Emera Brunswick Pipeline Company Ltd. – Brunswick Pipeline / Detailed Route MH-3-2007	Application seeking approval for the pipeline's detailed route following the landowner objections to the company's detailed route proposal.	Information Session held in September 2007. Hearings were held in Saint John, New Brunswick during the week of 28 January 2008. Decision pending.
Emera Brunswick Pipeline Company Ltd. – Brunswick Pipeline / Wet Crossing GH-4-2008	Application seeking approval for a wet crossing as an alternative method for crossing the Saint John River.	Hearing scheduled for late summer 2008.
Repsol Energy Canada Inc. GH-1-2008	Application seeking approval for a licence authorizing the importation of liquefied natural gas (LNG) into Canada, and for a separate licence to export natural gas from Canada to the United States.	Hearing Workshop held in February 2008. Hearing scheduled for May 2008.
TransCanada Keystone PipeLine GP Limited – Cushing Expansion OH-1-2008	Application seeking approval for the construction of new pump stations, increased pumping capacity and pump station location changes on the proposed Cushing Expansion of the Keystone pipeline.	Hearing scheduled for early April 2008.
Enbridge Pipelines (Westspur) Inc. – Alida to Cromer Capacity Expansion (ACCE) Project OH-2-2007	Application seeking approval for the construction of a 60 kilometre, 6 inch outside diameter pipeline to transport natural gas liquids (NGL) from Alida, Saskatchewan to Cromer, Manitoba.	Reasons for Decision released in June 2007.
Enbridge Pipelines Inc. – Line 4 Extension Project OH-5-2007	Application seeking approval for a 180-kilometre extension to Enbridge Pipeline Inc.'s (Enbridge) Line 4. Enbridge requests approval for its tolling method and to reactivate three sections of pre-existing pipeline.	Information Sessions held in Camrose, AB and Nisku, AB. Hearing held in January 2008. Decision pending.
Enbridge Pipelines Inc. – Alberta Clipper Expansion Project OH-4-2007	Application seeking approval for the Canadian portion of the Alberta Clipper Project, which would involve the construction and operation of facilities including approximately 1,074 km of new 914 mm outside diameter (36-inch) oil pipeline between Enbridge's Hardisty Terminal and the Canada-United States border near Gretna, Manitoba.	Reasons for Decision released in February 2008.
Enbridge Pipelines Inc. – Southern Lights Project OH-3-2007	Application seeking approval for the transfer of ownership of EPI's Line 13 to ESL; the removal Line 13 from southbound crude oil delivery service; the flow reversal on Line 13 to carry diluent from the Canada/US border near Gretna, Manitoba, northbound to Edmonton, Alberta; the construction of a new 288 kilometre oil pipeline from Cromer, Manitoba to the Canada/US border near Gretna, Manitoba, to transport light sour crude oil; and appropriate tolls and tariffs for shippers to use the pipelines.	Reasons for Decision released in February 2008.

Oral Hearings	Results	Outcomes
TransCanada Keystone PipeLine GP Limited – Keystone Pipeline Project OH-1-2007	Application to construct and operate the Canadian portion of the Keystone Project – a proposed crude oil line that would run from Alberta to markets in Illinois.	Reasons for Decision released in September 2007.
Westcoast Energy Inc., carrying on business as Spectra Energy Transmission (Westcoast) – South Peace Pipeline Project GH-3-2008	Application seeking approval to construct an extension (89.5 km in length) to Westcoast's existing raw gas gathering system near Fort St. John, British Columbia. The new pipeline would carry gas from the "South Peace Area" south of Fort St. John and the Peace River to connect to Westcoast's existing McMahon processing plant, in Taylor, British Columbia.	Hearing scheduled for August 2008.
SemCAMS Redwillow ULC – Redwillow Pipeline Project OH-1-2008	Application seeking approval for the construction of a pipeline (149.7 kilometre in length) from the Grizzly Valley area southwest of Tumbler Ridge, British Columbia into an existing gathering and processing facility located near Wapiti, Alberta.	Hearing delayed.
EnCana Corporation – Deep Panuke Offshore Gas Development Project GH-2-2006	Applications to develop the Deep Panuke Offshore Natural Gas Project.	Reasons for Decision released in September 2007.
TransCanada PipeLines Limited – Gros Cacouna Receipt Point Application RH-1-2007	Application seeking approval of a new receipt point at Gros Cacouna (QC) for the receipt of regasified liquefied natural gas (LNG). Affirmation is also being requested for the tolling methodology that will apply to service from that point.	Reasons for Decision released in July 2007.
TransCanada PipeLines Limited – Review application filed by Mme. Campbell MH-1-2007	Application requesting a review of the decision granting the company authorization for the right of entry.	Decision pending.
Trans Québec and Maritimes Pipeline Inc. – Cost of Capital RH-1-2008	Application requesting the NEB to review its RH-2-94 Cost of Capital Decision, only as it applies to TQM. TQM also asks the NEB for an order to approve a fair return on capital resulting from an ROE of 11.0 per cent applied to a deemed 40 per cent equity component of the company's capital structure.	Hearing scheduled for September 2008.
Enbridge Pipelines Inc. – Line 9 Tolls and Tarifs RH-3-2008	Application to change the transportation fees on Line 9, Enbridge's only westbound pipeline.	Hearing was cancelled in September 2007.
Gazoduc Trans Québec Maritimes Inc. – Projet AccèsEst No hearing order issued.	Application seeking for approval to connect by gas pipeline the company's existing transmission network and the proposed liquefied natural gas (LNG) storage and regasification terminal in Cacouna.	Ongoing process. Three Information Sessions held in September 2007.

3.6 Parliamentary Committee Recommendations

There were no parliamentary committee reports issued concerning the NEB during the reporting period.

3.7 Evaluations and Reviews

For supplementary information on the department's Internal Audits and Evaluations, please visit: http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp

3.8 Travel Policies

For supplementary information on the department's travel policies, please visit: http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp.

Section IV : Other Items of Interest

4.1 Organizational Information

The Board is structured into five business units reflecting major areas of responsibility: Applications, Operations, Commodities, Planning, Policy and Coordination and Integrated Solutions. In addition, the Executive Office includes the specialized services of Legal Services and Regulatory Services.

Applications

The Applications Business Unit is responsible for processing and assessing most regulatory applications submitted under the NEB Act, including facilities and tolls and tariffs applications and construction and operation of international and interprovincial electric power lines. The Applications Business Unit is also responsible for other matters such as the financial surveillance and financial audits of companies under the Board's jurisdiction and for addressing landowner concerns.

Operations

The Operations Business Unit is accountable for safety and environmental matters pertaining to facilities under the NEB Act, the COGO Act and the CPR Act. It conducts safety and environmental inspections and audits; investigates incidents; monitors emergency response procedures; regulates the exploration, development and production of hydrocarbon resources in non-accord Frontier lands; and develops related safety and environment regulations and guidelines.

Commodities

The Commodities Business Unit is responsible for energy industry and marketplace surveillance, including the outlook for the demand and supply of energy commodities in Canada, updating guidelines and developing regulations relating to energy exports as prescribed by Part VI of the NEB Act. It is also responsible for assessing and processing applications for oil, natural gas and electricity exports.

Planning, Policy and Coordination

The Planning, Policy and Coordination Business Unit is responsible for developing the NEB's long-term regulatory framework and regulatory tools and for organization-wide planning and coordination. This includes providing communication, engagement, appropriate dispute resolution and technical excellence (through its professional leader and knowledge network services) services to the Board.

Integrated Solutions

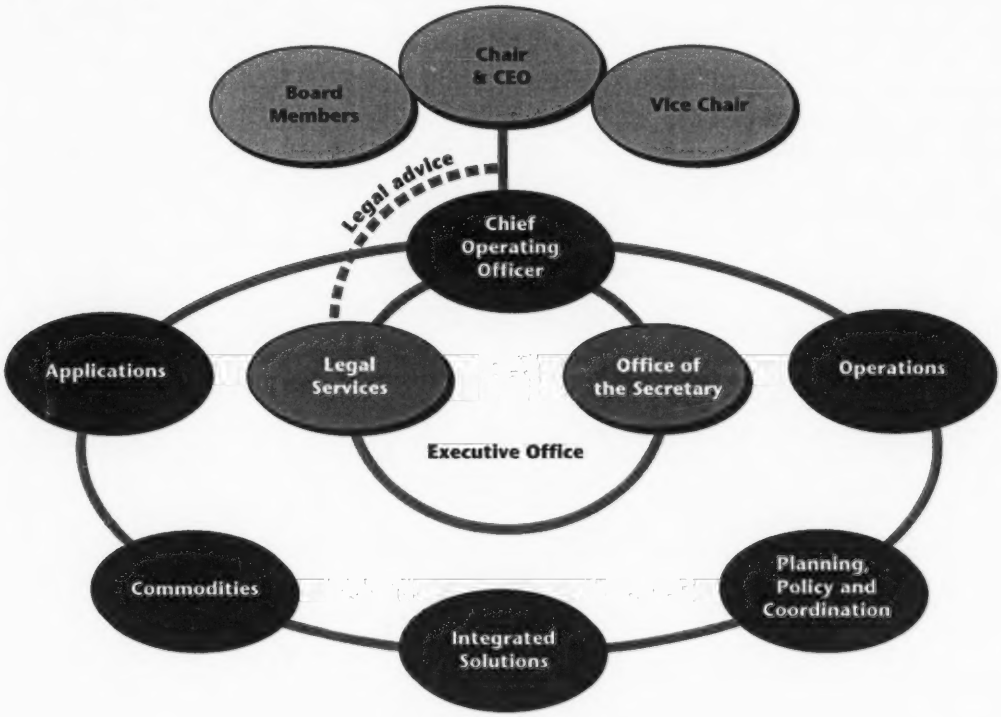
Integrated Solutions is responsible for developing, implementing and supporting strategies and solutions to enhance business outcomes. This includes Board-wide

computer systems and services, materiel and facilities management, contracting, library services, corporate records management, financial management, human resource management, translation and document design and production.

Executive Office

The Executive Office is responsible for the Board's overall capability and readiness to meet strategic and operational requirements, including providing legal advice for regulatory and management purposes,[3] administering hearings and providing regulatory support.

Figure 13: NEB Organizational Structure



3 Legal Services is accountable to the Chair and Board Members for the provision of legal advice. It is accountable to the Chief Operating Officer for its operations and administrative matters.

4.2 Department's Regulatory Plan

Regulatory Instrument	Expected Results and Progress
National Energy Board Damage Prevention Regulations	Less prescriptive, goal oriented regulations for NEB regulated facilities to more effectively address safety in the proximity of pipelines. Will replace the *National Energy Board Pipeline Crossings Regulations, Parts I and II*. Work continues to address Department of Justice (DOJ) review of the proposed Damage Prevention Regulations.
National Energy Board Onshore Pipeline Regulations (OPR-99) and *National Energy Board Processing Plant Regulations*	Consider reviewing and modifying the existing regulations and guidance notes based on experience gained regarding the effectiveness of the NEB's move towards goal based regulation. Incorporating new provisions pertaining to security, decommissioning, incident reporting and operations and maintenance. An overall review of the OPR-099 was planned for the 2007-2008 fiscal year. In August 2007 the project was suspended due to heavy hearing workload. The overall review remains a high priority for RegDev but there is insufficient staff to carry out the project at this time. Amendments to the OPR-99 relating to decommissioning were published in the Canada Gazette Part 1 in November 2007.
National Energy Board Cost Recovery Regulations	Modifications to the existing regulations arising from a request from the electricity industry. The Board continued to work with DOJ on new language in the regulation until August, when the project was suspended due to heavy hearing workload. Project was re-initiated in April 2008.
Canada Oil and Gas Diving Regulations; Newfoundland Offshore Area Petroleum Diving Regulations; and Nova Scotia Offshore Area Petroleum Diving Regulations	Less prescriptive, more goal oriented regulations for activities in support of oil and gas programs in frontier lands. Progress was not made on the *Diving Regulations* this year per se but it was decided (by the FORRI) to amalgamate the suite of regulations under each jurisdiction into a single, goal oriented, regulation covering all aspects of the exploration and production of petroleum in Canada's offshore and frontier areas.
Canada Oil and Gas Drilling and Production Regulations; Newfoundland Offshore Area Oil and Gas Drilling and Production Regulations; and Nova Scotia Offshore Area Oil and Gas Drilling and Production Regulations	Amalgamation of *Canada Oil and Gas Production and Conservation Regulations* and *Canada Oil and Gas Drilling Regulations*. Rewrite to a goal oriented style. Updated and streamlined administration. Significant progress was made towards goal oriented *Drilling & Production Regulations* under the 3 jurisdictions. Consultation on the proposed regulatory language was undertaken with industry and other stakeholders. DOJ review progressed and drafting of consequential amendments was undertaken. A project to create guidance was initiated by the three regulatory Boards. Initial publication in Canada Gazette Part 1 expected in 2008.

4.3 Service Standards Results

Service Standards	Service Standard Results 2007-2008[1]
Reasons for Decision • 80% of Reasons for Decision completed within 12 weeks following a public hearing	**Reasons for Decision** Five hearings: 80% completed in 12 weeks
Export/import authorizations[2] • **Oil and/or petroleum orders processed:** 100% in 2 working days • **NGL orders processed:** 100% in 2 working days • **Gas import and export orders processed:** 100% in 2 working days **Electricity export permits[3]:** ▪ **(Category A)** 80% within 40 calendar days ▪ **(Category B)** 80% within 90 calendar days	**Export/import authorizations** **Oil and/or petroleum orders processed:** 13 new orders processed; 62% completed in 2 days **NGL orders processed:** 6 new orders processed; 67% completed in 2 days **Gas import and export orders processed:** 149 received; 99% completed in 2 days **Category A:** 35 received; 100% completed in 40 days **Category B**: 72 received; 100% completed in 90 days
Landowner Complaints • **Respond with initial course of action:** 100% within 10 calendar days • **Resolve the complaint:** 80% within 60 calendar days	**Landowner Complaints** **Respond with initial course of action:** 16 files; 100% response within 10 calendar days **Resolve the complaint:** 16 files; 88% of files were closed within 60 calendar days
Onshore pipeline regulation (OPR) audits • 80% of draft OPR reports sent to the audited company within 8 weeks of completing field work • 80% of Final OPR reports sent to the audited company within 8 weeks of receiving the company's comments on the draft report	**Onshore pipeline regulation audits** 3 received; 100% sent to the audited company within 8 weeks 3 received; 67% sent to the audited company within 8 weeks
Financial audits • 80% of draft financial reports sent to the audited company within 8 weeks of completing field work • 80% of final financial audit reports sent to company within 3 weeks of receiving the audited company's comments on draft financial report	**Financial audits** 3 audits conducted; both service standards met (100% of reports sent within specified period)
Non-hearing Section 58 application cycle times • **Category A** (complexity of issues considered minor): 80% of decisions released in 40 calendar days • **Category B** (complexity of issues considered moderate): 80% of decisions released in 90 calendar days • **Category C** (complexity of issues considered major): 80% of decisions released in 120 calendar days	**Non-hearing Section 58 application cycle times** **Category A: 12** received: 92% in 40 days **Category B:** 3 received: 100% in 90 days **Category C:** 0 received
COGO Act applications **Well drilling applications** • Decisions rendered within 21 calendar days of receiving a complete application **Geological and geophysical applications** • Decisions rendered within 30 calendar days of receiving a complete application	**COGO Act applications** **Well drilling applications** 20 received: 100% of decisions rendered within 21 calendar days **Geological and geophysical applications** 23 received: 100% of decisions rendered within 30 days

Service Standards	Service Standard Results 2007-2008[1]
CPR Act applications • Decision for Significant Discovery • Decision for Commercial Discovery Applications on Frontier lands 80% of decisions for both rendered within 90 calendar days	**CPR Act applications** 5 received: 100% of decisions rendered within 90 calendar days 0 received
Responding to Access to Information requests Response provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request.	**Responding to Access to Information requests** 7 received: 100% of requests completed in 30 days or notice of extension sent within 30 days; 1 request was received then later abandoned by the party who made the request

1. The Board met all of its service standards except two. The Board's target of sending the final OPR audit report to the company in 8 weeks was not met due to delayed processing. The Board's target of processing new oil and/or petroleum and NGL export/import orders within 2 days was not met due to workload constraints. In these situations, orders were processed just under the standard at an average of 2.2 days.
2. Service standards for Oil and NGL orders apply to new orders only (not renewals).
3. Electricity export applications are divided into one of two categories (minor or major) based on their level of complexity.

4.4 Contact Information

For further information about the National Energy Board, contact:

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Key Contacts as of 31 March 2008

Gaétan Caron	Chair and CEO
Sheila Leggett	Vice-Chair
Pradeep Kharé	Chief Operating Officer
Chris van Egmond	Business Leader, Applications
John McCarthy	Business Leader, Commodities
Sandy Lapointe	Business Leader, Operations
Glenn Booth	Business Leader, Planning, Policy and Coordination
Eric Bach	Business Leader, Integrated Solutions (Acting)
Rob Cohen	General Counsel
Claudine Dutil-Berry	Secretary of the Board
Dan Philips	Team Leader, Finance